

## EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT OF 1954

JUNE 18 (legislative day, JUNE 11), 1954.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 5173]

The Committee on Finance, to whom was referred the bill (H. R. 5173) to provide that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a \$200 million reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### COMMITTEE AMENDMENTS

On page 8, beginning with line 23, strike out over through line 3 on page 9.

On page 8, line 22, after the semicolon insert "and".

On page 9, line 4, strike out "(4)" and insert in lieu thereof "(3)".

On page 9, line 5, strike out "(1), (2), and (3)" and insert in lieu thereof "(1) and (2)".

These amendments eliminate the requirement that a State maintain an average 2.7 percent tax during the quarter in which application is made for an advance in order to be eligible for the advance. This will avoid compelling States as a condition of eligibility for a loan to make sharp increases in employers' contributions during periods of high unemployment when they are least able to meet such increases.

The remaining committee amendments are technical in nature and are as follows:

On page 1, line 4, strike out "1953," and insert in lieu thereof "1954."

This amendment changes the date "1953" in the short title of the bill to "1954."

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On page 2, line 13, and on page 3, lines 2 and 6, strike out the word "unemployment" and insert in lieu thereof the words "employment security".

This amendment changes the term "unemployment administrative expenditures" wherever it appears to "employment security administrative expenditures".

On page 3, beginning with line 8, strike out down through line 4 on page 4 and insert in lieu thereof the following:

(1) the aggregate of the amounts expended during the fiscal year for the purpose of assisting the States in (A) the administration of their unemployment compensation laws (including administration pursuant to agreements under title IV of the Veterans' Readjustment Assistance Act of 1952), (B) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U. S. C. sec. 49-49n), and (C) carrying into effect section 602 of the Servicemen's Readjustment Act of 1944, as amended; and

(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of Labor of its functions (except its functions with respect to Puerto Rico and the Virgin Islands) under (i) this title and titles III and XII of this Act, (ii) the Federal Unemployment Tax Act, (iii) the provisions of the Act of June 6, 1933, as amended, (iv) title IV (except section 602) of the Servicemen's Readjustment Act of 1944, as amended, and (v) title IV of the Veterans' Readjustment Act of 1952; and

This amends the definition of "employment security administrative expenditures" to cover estimated costs of the Department of Labor rather than amounts expended by the Department so as to conform this statutory language to that used in section 901 (b) (3) dealing with Treasury Department costs. The amendment also inserts the words "as amended" after "the Servicemen's Readjustment Act of 1944". This is necessary to cover expenses of the employment service functions which the Department of Labor and the State employment services perform for Korean veterans and which are provided by the amendment to the Servicemen's Readjustment Act of 1944 made by the Veterans' Readjustment Assistance Act of 1952.

On page 4, line 5, strike out "(2)" and insert in lieu thereof "(3)". This is a clerical amendment.

On page 4, strike out lines 11 to 13, inclusive.

This amendment eliminates the provision of section 901 which requires Federal grants to be considered as expended after July 1 even though they are made before that date if they are for such operations after July 1. The elimination of this provision merely permits the Treasury Department to continue its present bookkeeping practice of charging advances as expenditures to the month in which they are made rather than to the later month in which they are expended by the State.

On page 5, line 17, after the word "Labor" insert "and certified by him to the Secretary of the Treasury on or before that date."

On page 5, line 17, after the word "States" insert "to the Secretary of Labor by June 1".

On page 5, lines 22 and 24, strike out "June 1" and insert in lieu thereof "May 1".

Insertion of the dates specified in these amendments are necessary to enable the Secretary of Labor and the Secretary of the Treasury to perform promptly, in the interest of simplified accounting, the requirement imposed upon them by section 903 to credit certain

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excess taxes to each State account by July 1 of each year in which there are such excess funds.

On page 8, line 13, strike out the word "account" and insert in lieu thereof the words "unemployment fund".

This amendment changes the term "account" in section 1201 (a) to "unemployment fund" so as to include in the calculation of the State balance any unemployment taxes collected by the State but not yet deposited in the unemployment trust fund.

On page 9, line 7, strike out, "from time to time,".

This amendment eliminates as unnecessary the words "from time to time" in the provision of section 1201 requiring the Secretary of Labor to certify to the Secretary of the Treasury a State's application for an advance.

On page 11, between lines 20 and 21, insert a new section as follows:

Sec. 1203. When used in this title, the term "Governor" shall include the Commissioners of the District of Columbia.

This amendment defines the term "Governor" so as to include the Commissioners of the District of Columbia.

On page 10, line 15, strike out "(a)".

This amendment in section 1202 eliminates as unnecessary the reference to subsection (a) after section 1201.

On page 10, lines 18 and 19, after the word "shall", insert the word "promptly", and in lines 18 and 19 strike out the words "as of the close of the calendar month in which the Governor makes such request".

This amendment requires the Secretary of the Treasury in section 1202 (a) to transfer promptly any sums the State may wish to repay to the State unemployment account. It also eliminates the words "as of the close of the calendar month in which the Governor makes such request" since the Governor's request might be received too late in the month to make transfer at the close thereof possible.

On page 10, line 20, and page 11, line 15, before the word "Federal", and on page 11, line 10, before the word "account", insert the words "Unemployment Trust Fund for credit to the".

This amends section 1201 (b) (1), (2), and (3) to make it clear that all funds are deposited in the unemployment trust fund to the credit of the various accounts, State and Federal, rather than directly in each account. This conforms to actual practice.

On page 11, lines 5 and 9, strike out "subsection (a)" and insert in lieu thereof "section 1201".

This amendment changes the reference to subsection (a) in 1202 (b) (1) and (2) as the section under which advances are made, to section 1201, the correct section.

On page 11, line 8, after the word "paid", insert a comma and the words "received, and covered into the Treasury".

This is a technical amendment to conform with Treasury practice, and makes it clear in section 1202 (b) (2) that the tax is received and covered into the Treasury.

On page 11, lines 14 and 15, strike out the words "from time to time from the general fund in" and insert in lieu thereof the words "at the close of the month in which the moneys were covered into"; and on page 11, line 16, strike out the period at the end of the sentence and insert "as of the first day of the succeeding month".

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This amendment specifies the dates in section 1202 (b) (3) as of which the transfer and credit of appropriated funds provided for therein shall be made.

On page 11, line 18, strike out the words "from time to time".

This amendment eliminates as unnecessary the words "from time to time" in section 1202 (c) which authorizes appropriations for repayable advances under the Federal unemployment account.

The amendment to the title substitutes the words "employment security" for the words "unemployment compensation" so as to conform to changes made in the text of the bill.

#### PRINCIPAL FEATURES OF H. R. 5173

The purpose of H. R. 5173 is to strengthen the Federal-State employment security program by providing that all taxes collected under the Federal Unemployment Tax Act shall be devoted exclusively to the basic purposes of this program. To achieve this objective, H. R. 5173 provides as follows:

(1) Beginning on July 1, 1953 (and for each fiscal year thereafter), an amount equal to the excess of taxes collected under the Federal Unemployment Tax Act over the cost of administering the Federal and State operations of the employment security program, including unemployment insurance and public employment offices, will be earmarked and placed in the Federal unemployment account. This account is already established under existing law and is a subsidiary account in the unemployment trust fund.

(2) At the end of each fiscal year the amount equal to the excess tax collections (if any) is to be earmarked and placed in the Federal unemployment account until that account reaches a balance of \$200 million and thereafter in such years as may be necessary to maintain this balance. The estimated excess tax collections for fiscal year 1954 are approximately \$75 million. The annual excess tax collections for the next fiscal year are estimated at approximately \$60 million to \$65 million.

(3) Any such excess not required to either achieve the original \$200 million balance or to maintain the balance will be allocated to the trust accounts (in the unemployment trust fund) of the various States in the proportion that their covered payrolls bear to the aggregate of all States.

The sums allocated to States' trust accounts are to be generally available for benefit payments. A State may, however, through a special appropriation act of its legislature, utilize the allocated sums (not to exceed amounts deposited in its trust fund in the previous 5 fiscal years) to supplement Federal administrative grants in financing its administrative operations.

(4) The \$200 million balance (or any lesser balance) in the Federal unemployment account will be available to States with depleted reserve accounts for the purpose of assisting them in the financing of their unemployment benefit payments. Any State whose reserve account at the end of any quarter is less than the amount of benefits paid in such quarter and in the preceding three quarters may apply, through its governor, for an advance from the \$200 million account to its own trust fund. The largest advance which a State may receive in any quarter is the largest amount of benefits paid by it in any one of the last four preceding quarters.

(5) Repayment of the advances obtained by States in accordance with the above conditions are to be made by either (a) transfer of funds from the trust account of the borrowing State (at the direction of its governor) to the Federal unemployment account, or (b) a decrease in the 90 percent allowable credit against the 3 percent Federal unemployment tax. This decrease in allowable tax credits will begin after the second January 1 on which outstanding advances have not been repaid by transfer of funds from the State's trust fund. The decrease in the 90 percent allowable credit against the 3 percent Federal unemployment tax will be at the cumulative rate of 5 percent (5 percent of 3 percent) for each year in which the advance is still outstanding until the resulting additional Federal taxes collected have been sufficient to repay the advance.

#### GENERAL STATEMENT

The Federal unemployment tax is a 3-percent tax levied upon the payrolls (up to the first \$3,000 of annual income of workers) of all employers of 8 or more workers during 20 weeks in the year in all but certain specified categories of employment. The employer is permitted to offset up to 90 percent of the Federal tax (2.7 percent of taxable payrolls) with any taxes paid to an unemployment-insurance system under the laws of the State in which he does business. The Federal law also permits the employer to include in his offset any State tax savings that are allowed him under the laws of his State.

When the Congress passed the unemployment taxing provisions of the Social Security Act of 1935 it was believed that 10 percent of the total cost of the unemployment compensation program would be needed for administrative expenses. For this reason the law provided the maximum offset of 90 percent (2.7 percent of taxable wages) and reserved 10 percent of the tax for the Federal Government. Federal tax collections from this source are not earmarked for employment security purposes under existing law but go instead into the general fund of the Treasury. Each year Congress appropriates money for grants to the States to cover the administrative expenses of this program. The amount of the appropriation is determined by the administrative needs of the States and not by the estimated collections of the Federal unemployment tax.

Contrary to the original intent and expectation of the Congress, the three-tenths of 1 percent tax has proved to be excessive and, depending upon the basis of calculation, has yielded between \$700 million to \$1 billion in excess of the funds that have been disbursed to meet the Federal-State administrative costs of the program. This amount has been used to meet the general expenses of other activities of the Federal Government.

In the opinion of your committee, the full amount of the tax collections from the Federal unemployment tax should be used exclusively for strengthening and improving the Nation's employment security program as originally contemplated.

It is further agreed that the two basic needs to which these excess tax collections should be devoted are for the protection of State trust accounts against the contingency of insolvency and the provision for greater flexibility in administrative operations. Your committee believes that these two agreed needs can best be met through the methods provided in H. R. 5173.

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The provision of a loan account, as established under H. R. 5173, from which States with depleted accounts may secure repayable advances, recognizes the Federal interest in protecting the solvency of State trust accounts in a manner consistent with the original intent that States be charged with ultimate responsibility in financing the benefits which they elect to provide.

The provision contained in H. R. 5173 that States may utilize for administrative cost purposes (under appropriate safeguards) that portion of tax collections credited to their accounts will serve to make more flexible and will better adapt the administrative structure of the Federal-State system to the varying needs and conditions of the country.

Attention is invited by your committee to the fact that the principle that the Federal unemployment tax collections should not be regarded as available for general expenditures has been recognized by the Congress in the enactment of the so-called George loan fund provisions (secs. 904 (h) and 1201 of the Social Security Act). Under these provisions the excess of the Federal unemployment tax collections over the amount of disbursements for administrative costs since the initiation of the Federal-State employment security program was to be available to States with depleted reserve accounts. Under the George loan fund it was left largely to the discretion of the States as to whether they would revise their tax structures so as to make any advances in fact repayable. The conference of State officials administering State operations of this program recommended the strengthening of the repayable loan provision by the method of reducing the allowable offset against the Federal tax, as is provided in H. R. 5173.

In regard to the second basic need—greater flexibility and adaptability in administration—your committee believes that this can best be met by leaving to the province of the States the use of allocated excess collections to supplement Federal grants.

Under H. R. 5173 the excess over the \$200 million balance (or the amount necessary to maintain this balance) can be used only for benefit purposes unless a State legislature appropriates these funds for administrative purposes.

### TECHNICAL ANALYSIS

#### SECTION 1

This section provides that the bill may be cited as the "Employment Security Administrative Financing Act of 1954."

#### SECTION 2

This section amends title IX of the Social Security Act by inserting before section 904 of such title three new sections. (The section numbers for these sections were made available by the enactment of the Internal Revenue Code in 1939, which shifted the tax provisions formerly contained in title IX of the Social Security Act to subch. A of ch. 9 of the Internal Revenue Code.)

*Section 901.*—Subsection (a) of the new section 901 contains a permanent appropriation of amounts equal to the excess of Federal tax collections under the Federal Unemployment Tax Act over the amounts of the employment security administrative expenditures

(as defined in subsec. (b)). In computing the excess, refunds (including interest) of the tax and any additional tax collected under the reduced credit provisions of section 1601 (c) of the Internal Revenue Code (explained below under sec. 4 of the bill) are also deducted from the gross tax collections. The first amount so appropriated will be for the fiscal year beginning July 1, 1953, and ending June 30, 1954. The amount so appropriated for each fiscal year will be transferred from the general fund in the Treasury to the unemployment trust fund at the close of the fiscal year.

Subsection (b) defines the term "employment security administrative expenditures." Included within these expenditures are payments to the States under title III of the Social Security Act for administrative expenses under their unemployment compensation laws, payments to the States under the Wagner-Peyser Act (relating to public employment offices), and payments under certain provisions of law specified in the bill which relate to unemployment compensation and special employment services for veterans. "Employment security administrative expenditures" includes authorized expenditures for the payment of the sending of official mail matter in connection with the performance by the States of the functions referred to in the preceding sentence of this analysis, and in connection with the performance by the Department of Labor of its functions with respect to the public employment offices in the District of Columbia.

"Employment security administrative expenditures" includes those Federal administrative expenses of the Department of Labor (excluding amounts attributable to Puerto Rico and the Virgin Islands) and of the Department of the Treasury which are specified in paragraphs (1) (B) and (2) of subsection (b) of section 901. Administrative expenditures in the case of the Departments of the Treasury and Labor are based on an estimate by the Secretary of Labor and the Secretary of the Treasury because it is impossible to determine the exact amount actually expended for the purposes set forth in the bill from Treasury Department appropriations.

Appropriations procedures by the Congress for grants to the States and for the Departments of Labor and the Treasury are not affected by the bill.

*Section 902.*—The new section 902 relates to the amounts to be credited to the Federal unemployment account. The amount appropriated to the unemployment trust fund by section 901 (a) of the bill for any fiscal year will be credited to the Federal unemployment account unless such crediting would raise the adjusted balance in the Federal unemployment account above \$200,000,000. If the entire amount appropriated would raise such balance above \$200,000,000, there will be credited to the Federal unemployment account as of July 1 of the succeeding fiscal year the amount (if any) needed to bring the adjusted balance in such account up to \$200,000,000; and the remainder will be credited to the accounts of the States as provided in section 903. The balance in the account at certain times in the future may, of course, be above \$200,000,000 by reason of repayments of advances by the States, by reason of the payment of interest on the funds in the account, or both.

*Section 903.*—The new section 903 provides that in cases where there is any excess in the amount appropriated by section 901 (a) for any fiscal year over the amount needed to bring the adjusted balance in

the Federal unemployment account up to \$200,000,000, such excess will be credited to the accounts of the various States in the unemployment trust fund. Each State's share in any such crediting will be based on its proportionate share of the total wages (as defined by State unemployment compensation laws) subject to contributions under such laws. Under this section each State will furnish reports of wages subject to contributions under its unemployment compensation law (whether or not the State is eligible for certification under sec. 303 of the Social Security Act, and whether or not the law of such State is approvable under sec. 1603 of the Federal Unemployment Tax Act). It is intended that interest adjustments to the accounts of the States will be made as of the time of crediting (that is, as of the beginning of July 1).

Subsection (b) of the new section 903 provides that under certain circumstances specified therein a State will not immediately receive its share of any excess available for distribution to the States. Its share will be credited to the Federal unemployment account and is to be transferred from that account to the account of the State if at any time during the fiscal year the State corrects the conditions which existed on July 1, of the fiscal year and prevented the crediting of its share at that time. Such transfer will be effective as of the time the Secretary of the Treasury receives a certification from the Secretary of Labor that such conditions have been corrected. Until the time of transfer, an amount equal to that State's share must remain in the Federal unemployment account available for transfer, but such amount will be a part of the Federal unemployment account for purposes of computing interest.

If the Secretary of Labor does not find and certify to the Secretary of the Treasury before the close of such fiscal year that the State has corrected such conditions, the earmarking of funds within the Federal unemployment account ceases, and the funds become an unrestricted part of the funds within such account which are available for the calculation of the adjusted balance in such account existing at the close of such fiscal year.

Subsection (c) of the new section 903 relates to the use of amounts credited to the accounts of the States pursuant to subsections (a) and (b) of the new section 903. The amounts are to be used for the payments of cash benefits to individuals with respect to their unemployment; except that, subject to rigid control by the State legislature (which control is specified in the bill in detail), the amounts so credited may be used for the costs of administering the State unemployment compensation law and its public employment offices.

Among the restrictions placed by the bill on the use for administrative expenses of amounts credited to the account of a State (which amounts thereby become a part of the unemployment fund of the State) is the requirement that the State appropriation law limit the total amount of its unemployment fund which may be used during a fiscal year for administrative expenses to the amount by which—

- (1) The aggregate amounts credited to the account of the State pursuant to subsections (a) and (b) of the new section 903 during such fiscal year and the 4 preceding fiscal years, exceed

- (2) The aggregate of the amounts which are used by the State for administration and are charged against the amounts so credited to its account during any of such 5 fiscal years.



Amounts used during any fiscal year are charged to amounts credited during preceding fiscal years on a first-in first-out basis. For example, assume that State A receives \$10,000 in each of the first 10 fiscal years during which crediting to the accounts of the States may occur under the bill. The State uses money withdrawn from its unemployment fund for administrative expenses only in the 4th and 10th such fiscal years. In the 4th year it so uses \$25,000, and in the 10th it so uses \$40,000.

The \$25,000 used in the fourth fiscal year would be charged against the amounts credited on July 1 of the first, second, and third fiscal years, leaving \$5,000 uncharged in the case of the third fiscal year.

Since the amounts credited during the 3d, 4th, and 5th fiscal years were credited before the beginning of the 5-year period applicable to the 10th fiscal year, nothing can now be charged against the amounts then credited. Of the \$40,000 used during the 10th fiscal year, \$10,000 is charged to each of the 6th, 7th, 8th, and 9th fiscal years; and the State has available, for charging at any time during the 10th through the 14th fiscal years, the \$10,000 credited to it during such 10th fiscal year.

In the preceding example, the \$25,000 which is no longer available for charging (that is, \$5,000 of the amount credited, during the third fiscal year, and the \$20,000 credited in the fourth and fifth fiscal years) would remain in the State unemployment fund and be available only for the making of cash payments to individuals with respect to their unemployment.

### SECTION 3

Section 3 of the bill amends title XII of the Social Security Act, which relates to advances from the Federal unemployment account to State accounts in the unemployment trust fund.

*Section 1201.*—The first condition of eligibility for an advance to a State provided by the amended section 1201 (a) is that the balance in the State unemployment fund at the close of a calendar quarter (beginning with the quarter ending September 30, 1953) be less than the total of the cash payments by the States to individuals with respect to their unemployment during the 12-month period which ends with the close of such quarter.

Secondly, the governor of the State must apply for an advance during the quarter following a quarter at the close of which the State's balance met the test outlined in the preceding paragraph.

If the Secretary of Labor finds that the balance in the State fund meets the conditions specified in paragraph (1) of the new section 1201 (a), and that the governor has made application and certification in accordance with paragraph (2) thereof, the Secretary of Labor is required to certify to the Secretary of the Treasury the amounts specified in the governor's application. The bill provides, however, that the total amount certified pursuant to any one application may not exceed the amount paid out by the State for cash benefits in that 1 calendar quarter, of the 4 calendar quarters preceding the quarter in which application was made, during which such cash benefit payments were highest.

*Section 1202.*—The amended section 1202 provides for the repayment to the Federal unemployment account of amounts advanced

to a State. Subsection (a) provides that the governor of the State may at any time request that partial or total repayment be made by a transfer from the account of the State in the unemployment trust fund to the Federal unemployment account.

Subsection (b) of the amended section 1202 appropriates amounts equal to the additional tax collected by the Federal Government (by reason of the reduction in credits brought about by the amendments to sec. 1601 (c) of the Internal Revenue Code contained in sec. 4 of the bill) for the purposes of repaying the outstanding advance of the State in question. If the additional tax received and covered into the Treasury exceeds the outstanding advance to the State, an amount equal to the excess is appropriated, and is to be transferred, to the account of the State.

Subsection (c) of the amended section 1202 authorizes appropriations to the Federal unemployment account of such sums as may be necessary for advances to the States for which sufficient funds are not available in the account. Whether an appropriation to the Federal unemployment account will be an advance under this subsection, or whether it will be made pursuant to the authorization provided by section 904 (h) of the Social Security Act as amended by section 5 (f) of the bill, will be within the discretion of the Congress making the appropriation.

*Section 1203.*—This is a new section which defines the term “governor” to include the Commissioners of the District of Columbia.

#### SECTION 4

Section 4 of the bill amends section 1601 (c) of the Internal Revenue Code (Federal Unemployment Tax Act), which limits the total credits allowed to a taxpayer under subsections (a) and (b) of such section to 90 percent of the Federal tax against which such credits are allowable.

Section 1601 (a) permits credit against the Federal tax for contributions with respect to the taxable year paid into a State unemployment fund on or before the due date of the Federal return for such year. Credit is also permitted under existing law for contributions paid after the due date of the Federal return, but this credit is not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid on or before the due date of the Federal return. An additional credit is allowable under section 1601 (b) with respect to the amount of contributions which a taxpayer is relieved from paying to an unemployment fund under the provisions of a State law which have been certified for the taxable year as provided in section 1602 of the code.

The amendment to section 1601 (c) makes no change in the credits allowed under subsections (a) and (b) of section 1601 of existing law or in the application of the 90-percent limitation provided in subsection (c) but does provide, under certain circumstances, for a reduction of the amount of the total credits so computed. The purpose of such reduction of the amount of total credits which would otherwise be allowable is to provide a means of repayment to the Federal unemployment account of the amount of any advance or advances to the account of any State in the unemployment trust fund made under title XII of the Social Security Act, as amended by the bill.

If any balance of an advance or advances made under such title XII to the account of a State remains unreturned on January 1 of each of 2 consecutive taxable years, the total credits which would be allowable, except for this amendment, to a taxpayer subject to the unemployment compensation law of such State are reduced for the taxable year beginning with the second such January 1, unless prior to December 1 of that taxable year the total amount of any advance or advances made to the account of such State has been fully returned. The total credits will also be reduced in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of an unreturned advance or advances exists, unless prior to December 1 of that taxable year the advance or advances made to the account of the State prior to such date are fully returned.

*Example (1).*—If an advance is made to the account of State X in 1954 and such advance is not fully returned prior to December 1, 1956, a balance of an advance will remain unreturned on January 1 of each of 2 consecutive taxable years (1955 and 1956), and the total credits will be reduced for the taxable year 1956 in the case of any taxpayer who during such year is subject to the unemployment compensation law of State X.

*Example (2).*—If an advance made to the account of State Y in 1954 is fully returned in 1955, but an advance made to the account of such State in 1955 is not returned prior to December 1, 1956, the total credits will be reduced for the taxable year 1956 (a balance of advances will remain unreturned on January 1 of each of 2 consecutive taxable years, namely, 1955 and 1956). If such a balance exists on January 1, 1957, and all advances made to the account of State Y prior to December 1, 1957, are not fully returned prior to December 1, 1957, the total credits will be reduced for the taxable year 1957.

Where the tax credit is to be reduced with respect to taxpayers subject to the unemployment-compensation law of a particular State, the reduction in the case of each such taxpayer with respect to the taxable year which begins with the second consecutive January 1 on which a balance of an unreturned advance or advances exists will be 5 percent of the tax imposed by section 1600 of the code with respect to the wages paid by the taxpayer during such taxable year which are attributable to such State. For each succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances exists, the reduction in total credits will be increased by an additional 5 percent. Thus, in each of the above examples the reduction in credit for the taxable year 1956 will be 5 percent of the tax imposed by section 1600 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State. In example (2) the reduction in credit in the case of a taxpayer subject to the unemployment compensation law of State Y for the year 1957 would be 10 percent of the tax so imposed.

For purposes of computing the amount of any such reduction, wages subject to the tax imposed by section 1600 of the code, shall be attributed to a particular State if such wages are subject to the unemployment compensation law of the State. If wages subject to the tax imposed by section 1600 are not subject to the unemployment compensation law of any State, the determination as to whether such wages, or any portion thereof, are attributable to the State with respect to which the reduction in credit is imposed shall be made in

accordance with rules or regulations prescribed by the Secretary of the Treasury.

## SECTION 5

Section 5 of the bill makes various technical amendments to the Social Security Act and to the Internal Revenue Code.

The amendment to section 303 (a) (5) of the Social Security Act makes it clear that the funds credited to the State account pursuant to the bill may, subject to the restrictions contained in this bill, be used for administrative expenses of the State in connection with its unemployment compensation law and public employment offices. At the same time it imposes a sanction with respect to such use of funds, in that a violation of the restrictions contained in this bill will be a ground for refusal to certify payment to the State under section 303 (a) of the Social Security Act.

The amendment to section 1603 (a) (4) of the Internal Revenue Code is also intended to serve the dual purpose of permitting the use of credited funds for administrative purposes and to impose a sanction for violation of the restrictions on such use contained in this bill (namely, that the State law would cease to be approvable under such sec. 1603).

Subsection (c) of section 5 of the bill amends section 904 (b) of the Social Security Act to provide that advances to the Federal unemployment account pursuant to section 1202 (c) of the Social Security Act shall not be invested. The purpose of this amendment (which must be read with the amendment made by sec. 5 (d) of the bill to sec. 904 (e) of the Social Security Act) is to prevent the unemployment trust fund, and the various accounts therein, from earning interest on non-interest-bearing advances to the Federal unemployment account from the general fund of the Treasury. The amount in the unemployment trust fund which at any time cannot be invested by reason of these amendments is whichever of the following amounts is the smaller: (1) The total outstanding advances at such time from the general fund in the Treasury to the Federal unemployment account, or (2) the sum of (a) the balance in the Federal unemployment account at such time, and (b) the aggregate at such time of the reductions under paragraph (1) of the last sentence of section 904 (e) of the Social Security Act (added by sec. 5 (d) of the bill).

Under section 904 (e) of the Social Security Act a proportionate part of the interest received from investments of moneys in the unemployment trust fund is credited quarterly to each account in the fund on the basis of the average daily balance in such account. Subsection (d) of section 5 of the bill amends this provision so as to prevent (1) the crediting of interest to the accounts of the States on the basis of non-interest-bearing advances to such accounts from the Federal unemployment account, and (2) the crediting of interest to the Federal unemployment account on the basis of non-interest-bearing advances to such account from the general fund of the Treasury.

## CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

## SOCIAL SECURITY ACT

## TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

\* \* \* \* \*

## PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

\* \* \* \* \*

(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act: *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration [;]; *Provided further*, That the amounts specified by section 903 (c) (2) may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices; and

\* \* \* \* \*

## TITLE IX—[TAX ON EMPLOYERS OF EIGHT OR MORE] MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

## APPROPRIATIONS

Sec. 901. (a) (1) *There are hereby appropriated to the Unemployment Trust Fund, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1954, and for each fiscal year thereafter, an amount equal to the amount by which—*

(A) 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury; exceeds

(B) the sum of (i) the employment security administrative expenditures for such year, (ii) the refunds of such tax (including interest on such refunds) made during such fiscal year, and (iii) the amounts appropriated by section 1202 (b) for such fiscal year.

(2) *The amount appropriated by paragraph (1) for any fiscal year shall be transferred from the general fund in the Treasury to the Unemployment Trust Fund at the close of such fiscal year. Each such transfer shall be based on estimates made by the Secretary of the Treasury as of the close of such fiscal year, but proper adjustment shall be made in the amount transferred at the close of the succeeding fiscal year to the extent that such estimates prove to be erroneous. The Secretary of the Treasury shall make his estimate of those employment security administrative expenditures for any fiscal year which are described in subsection (b) (1) only after consultation with the Secretary of Labor.*

(b) *For the purposes of subsection (a), the term "employment security administrative expenditures" means, in the case of any fiscal year, the sum of—*

(1) *the aggregate of the amounts expended during the fiscal year for the purpose of assisting the States in (A) the administration of their unemployment compensation laws (including administration pursuant to agreements under title IV of the Veterans' Readjustment Assistance Act of 1952), (B) the establishment*

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and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U. S. C., sec. 49-49n), and (C) carrying into effect section 602 of the Servicemen's Readjustment Act of 1944, as amended; and

(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of Labor of its functions (except its functions with respect to Puerto Rico and the Virgin Islands) under (i) this title and titles III and XII of this Act, (ii) the Federal Unemployment Tax Act, (iii) the provisions of the Act of June 6, 1933, as amended, (iv) title IV (except section 602) of the Servicemen's Readjustment Act of 1944, as amended, and (v) title IV of the Veterans' Readjustment Act of 1952; and

(3) the amount estimated by the Secretary of the Treasury as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of the Treasury of its functions under this title and titles III and XII of this Act and under the Federal Unemployment Tax Act.

### AMOUNTS CREDITED TO FEDERAL UNEMPLOYMENT ACCOUNT

*SEC. 902.* Whenever any amount is transferred to the Unemployment Trust Fund under section 901 (a), there shall be credited (as of the beginning of the succeeding fiscal year) to the Federal unemployment account so much of such amount as equals whichever of the following is the lesser:

(1) The total amount so transferred; or

(2) The amount by which \$200,000,000 exceeds the adjusted balance in the Federal unemployment account at the close of the fiscal year for which the transfer is made.

For the purposes of the preceding sentence, the term "adjusted balance" means the amount by which the balance in the Federal unemployment account exceeds the sum of the outstanding advances under section 1202 (c) to the Federal unemployment account.

### AMOUNTS CREDITED TO STATES' ACCOUNTS

*SEC. 903.* (a) So much of any amount transferred to the Unemployment Trust Fund at the close of any fiscal year under section 901 (a) as is not credited to the Federal unemployment account under section 902 shall be credited (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. Each State's share of the funds to be credited under this subsection as of any July 1 shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury on or before that date on the basis of reports furnished by the States to the Secretary of Labor by June 1 and shall bear the same ratio to the total amount to be so credited as the amount of wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by May 1 bears to the total of wages subject to contributions under all State compensation laws during such calendar year which have been reported to the States by such May 1.

(b) If the Secretary of Labor finds that on July 1 of any fiscal year—

(1) a State is not eligible for certification under section 303, or

(2) the law of a State is not approvable under section 1603 of the Federal Unemployment Tax Act,

then the amount available for crediting to such State's account shall, in lieu of being so credited, be credited to the Federal unemployment account as of the beginning of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under such section 1603, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for credit to such State's account as of July 1 of such fiscal year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

(c) (1) Amounts credited to the account of a State pursuant to subsection (a) shall, except as provided in paragraph (2), be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

(A) the purposes and amounts were specified in the law making the appropriation,

(B) the appropriation law did not authorize the expenditure of such money after the close of the two-year period which began on the date of enactment of the appropriation law,

(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

(D) the appropriation law limits the total amount which may be so used during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts credited to the account of such State pursuant to subsection (a) during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this paragraph and charged against the amounts credited to the account of such State during any of such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first credited and which have not previously been so charged; except that no amount used during any fiscal year may be charged against any amount credited during a fiscal year earlier than the fourth preceding fiscal year.

#### UNEMPLOYMENT TRUST FUND

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund," hereinafter in this title called the "Fund." The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account, **[**or deposited pursuant to appropriations to the Federal unemployment account **]** or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury or with any Federal Reserve bank or member bank of the Federal Reserve System designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition. *Advances to the Federal unemployment account pursuant to section 1202 (c) shall not be invested.*

\* \* \* \* \*

(c) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, the Federal unemployment account, and the railroad unemployment insurance account and shall credit quarterly on March 31, June 30, September 30, and December 31, of each year, to each account on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date. *For the purposes of this subsection, the average daily balance shall be computed—*

(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the aggregate of the outstanding advances under section 1201 from the Federal unemployment account, and

(2) in the case of the Federal unemployment account, (A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and (B) by subtracting from the sum so obtained the aggregate of the outstanding advances from the Treasury to the account pursuant to section 1202 (c).

[(g) The Secretary of the Treasury is authorized and directed, prior to audit or settlement by the General Accounting Office, to make transfers from the Federal unemployment account to the account of any State in the Unemployment Trust Fund in accordance with certification made by the Secretary of Labor pursuant to section 1201, not exceeding the amount on deposit in the Federal unemployment account at the time of such transfer.]

(h) There is hereby established in the Unemployment Trust Fund a Federal unemployment account. There is hereby authorized to be appropriated to such Federal unemployment account a sum equal to (1) the excess of taxes collected prior to July 1, 1946, under title IX of this Act or under the Federal Unemployment Tax Act, over the total unemployment administrative expenditures made prior to July 1, 1946, plus (2) [the excess of taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year, and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period] *the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1, 1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953.* [Any amounts in the Federal unemployment account on April 1, 1952, and any amounts repaid to such account after such date, shall be covered into the general fund of the Treasury.] As used in this subsection, the term "unemployment administrative expenditures" means expenditures for grants under title III of this Act, expenditures for the administration of that title by the Board or the Secretary of Labor, and expenditures for the administration of title IX of this Act, or of the Federal Unemployment Tax Act by the Department of the Treasury, the Board, or the Secretary of Labor. For the purposes of this subsection there shall be deducted from the total amount of taxes collected prior to July 1, 1943, under title IX of this Act, the sum of \$40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754) and the sum of \$18,451,846 which was authorized to be appropriated by section 11 (b) of the Railroad Unemployment Insurance Act.

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## TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

[Sec. 1201. (a) In the event that the balance in a State's account in the Unemployment Trust Fund on June 30, 1947, or on the last day in any ensuing calendar quarter which ends prior to January 1, 1952, does not exceed a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that one of the two calendar years next preceding such day in which such deposits were higher, the State shall be entitled, subject to the provisions of subsections (b) and (c) hereof, to have transferred from the Federal unemployment account to its account in the Unemployment Trust Fund an amount equal to the amount by which the unemployment compensation paid out by it in the calendar quarter ending on such day exceeded 2.7 per centum of the total remuneration which was paid during such quarter and was subject to the State unemployment compensation law.

[(b) The Secretary of Labor is authorized and directed, on application of a State unemployment compensation agency, to make findings as to whether the conditions for the transfer of moneys provided for in subsection (a) hereof have been met; and if such conditions exist, the Secretary of Labor is directed to certify, to the Secretary of the Treasury, from time to time, the amounts for transfer in order to carry out the purposes of this title, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that the amounts transferred for any prior quarter were greater or less than the amounts to which the State was entitled for such quarter. The application of a State agency shall be made on such forms, and contain such information and data, fiscal and other wise, concerning the operation and administration of the State law, as the Secretary of Labor deems necessary or relevant to the performance of his duties hereunder.

[(c) Any amount transferred to the account of any State under this section shall be treated as an advance, without interest, to the unemployment fund of such State and shall be repaid to the Federal unemployment account from the unemployment fund of that State to the extent that the balance in the State's account in the Unemployment Trust Fund, at the end of any calendar quarter, exceeds a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during



that one of the two calendar years next preceding such day in which such deposits were higher. The Secretary of the Treasury shall, after the end of each calendar quarter, transfer from the unemployment account of each State in the Unemployment Trust Fund to the Federal unemployment account the amount required to be repaid from the unemployment fund of such State at the end of such quarter under this subsection. ]

Sec. 1201. (a) If—

(1) the balance in the unemployment fund of a State in the Unemployment Trust Fund at the close of September 30, 1953, or at the close of the last day in any ensuing calendar quarter, is less than the total compensation paid out under the unemployment compensation law of such State during the twelve-month period ending at the close of such day;

(2) the Governor of such State applies to the Secretary of Labor during the calendar quarter following such day for an advance under this subsection; and

(3) the Secretary of Labor finds that the conditions specified in paragraphs (1) and (2) have been met,

the Secretary of Labor shall certify to the Secretary of the Treasury such amounts as may be specified in the application of the Governor, but the aggregate of the amounts so certified pursuant to any such application shall not exceed the highest total compensation paid out under the unemployment compensation law of such State during any one of the four calendar quarters preceding the quarter in which such application was made. For the purposes of this subsection, (A) the application shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title, and (B) the term "compensation" means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of any State in the Unemployment Trust Fund the amounts certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of such transfer which is not restricted as to use pursuant to section 903 (b)). Any amount so transferred shall be an advance which shall be repaid (without interest) by the State to the Federal unemployment account in the manner provided in subsections (a) and (b) (1) of section 1202.

Sec. 1202. (a) The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of any remaining balance of advances made to such State under section 1201. The Secretary of Labor shall certify to the Secretary of the Treasury the amount stated in such request; and the Secretary of the Treasury shall promptly transfer such amount.

(b) (1) There are hereby appropriated to the Unemployment Trust Fund for credit to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provisions of section 1601 (c) (2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under section 1201 to the State with respect to which employers paid such additional tax.

(2) Whenever the amount of such additional tax paid, received, and covered into the Treasury exceeds the remaining balance of advances under section 1201 to the State, there is hereby appropriated to the Unemployment Trust Fund for credit to the account of such State, out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

(3) The amounts appropriated by paragraphs (1) and (2) shall be transferred at the close of the month in which the moneys were covered into the Treasury to the Unemployment Trust Fund for credit to the Federal unemployment account or to the account of the State, as the case may be, as of the first day of the succeeding month.

(c) There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title.

Sec. 1203. When used in this title, the term "governor" shall include the Commissioners of the District of Columbia.

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INTERNAL REVENUE CODE

SEC. 1601. CREDITS AGAINST TAX.

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 [(c) LIMIT ON TOTAL CREDITS.—The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable.]

(c) LIMIT ON TOTAL CREDITS.—

(1) The total credits allowed to a taxpayer under this section shall not exceed 90 per centum of the tax against which such credits are allowable.

(2) If an advance of advances has been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

(A) in the case of a taxable year beginning with the second consecutive January 1 on which such a balance of unreturned advances existed, by 5 per centum of the tax imposed by section 1600 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 per centum, for each such succeeding taxable year, of the tax imposed by section 1600 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

For the purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary) to be attributable to such State.

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 SEC. 1603. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within thirty days of such submission, which he finds provides that—

\* \* \* \* \*  
 (4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b): *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; *Provided further*, That the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;

\* \* \* \* \*  
 SEC. 1607. DEFINITIONS.

When used in this subchapter—

\* \* \* \* \*  
 (f) UNEMPLOYMENT FUND.—The term “unemployment fund” means a special fund, established under a State law and administered by a State agency, for the payment of compensation. Any sums standing to the account of the State agency in the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended, shall be deemed to be a part of the unemployment fund of the State, and no sums paid out of the Unemployment Trust Fund to such State agency shall cease to be a part of the unemployment fund of the State until expended by such State agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year, or such portion of the year as the unemployment fund was in existence, no part of the moneys of such fund was

expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b): *Provided*, That an amount equal to the amount of employee payments into the Unemployment Fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration [.] *Provided further*, That the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices.

