

TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1961

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Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

R E P O R T

together with

INDIVIDUAL VIEWS

[To accompany H.R. 4806]

The Committee on Finance, to whom was referred the bill (H.R. 4806) to provide for the establishment of a temporary program of extended unemployment compensation, to provide for a temporary increase in the rate of the Federal unemployment tax, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. PURPOSE OF BILL

The purpose of H.R. 4806 is to provide, on a self-supporting basis, a temporary program of extended unemployment compensation to persons who have exhausted their unemployment compensation under State and Federal unemployment laws. Your committee believes that such a program is necessary to help offset the effects of the current recession on unemployed workers and on the Nation's economy.

II. PRINCIPAL PROVISIONS OF COMMITTEE BILL

A. TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION

Your committee's bill, like the House bill, would provide extended benefits for up to 13 weeks of total unemployment to workers who have exhausted their rights under State unemployment compensation

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programs and under Federal unemployment compensation programs for ex-servicemen and Federal employees. The weekly benefit amount would be the same as the individual worker was drawing under his State law. These payments would be made only in those States which choose to enter into an agreement with the Secretary of Labor providing for such payments.

B. EFFECTIVE DATES

Payments would be made to unemployed persons who have exhausted their benefit rights under State programs after June 30, 1960, and before April 1, 1962. No payment could be made for a week of unemployment starting after June 30, 1962. Payments would be made for weeks of unemployment beginning on or after 15 days after date of enactment.

C. COST AND FINANCING OF THE PROGRAM

The \$827 million estimated cost of the additional benefits provided by this program for persons who have exhausted all rights under State unemployment compensation systems would be financed by advances from the Treasury to be repaid by a temporary increase in the net Federal unemployment tax of four-tenths of one percent on the existing wage base of \$3,000, effective for calendar years 1961 and 1962.

Under the bill as amended by your committee, the cost of temporary extended unemployment compensation paid to unemployed individuals in each State will be borne by employers in such State. If the additional tax imposed by the bill exceeds the amount of temporary benefits in a State, the excess will be credited to such State's account in the unemployment trust fund as of December 31, 1963. If the additional tax is not sufficient for the payment of temporary benefits in any State, the difference would be repaid to the Federal Government by employers in such State, through reduction in the 90-percent credit commencing in 1964.

Extended benefits for Federal employees and ex-servicemen would be paid for by the Federal Government out of general revenues. This, it is estimated, would cost \$63 million.

III. SUMMARY OF COMMITTEE AMENDMENTS

Your committee has amended the House-passed bill in a number of respects:

(1) The committee bill provides that taxes collected under the bill in each State are to be used for the purpose of paying additional unemployment compensation within that particular State. This is accomplished by providing that where the additional tax attributable to wages in a State exceeds the amount of temporary extended unemployment compensation paid in the State under the bill, the excess will be credited to that State's account in the unemployment trust fund as of December 31, 1963. If benefits exceed taxes attributable to wages in a State, the difference will be repaid by employers in that State through reduction in the 90-percent credit commencing with respect to taxable year 1964.

(2) A provision has been added which will require agreements with States to provide that temporary extended unemployment compensation payable to an individual shall be reduced by the amount of primary retirement payments received under (a) title II of the Social Security Act, (b) the Civil Service Retirement Act, (c) any other public retirement system, and (d) a private retirement plan contributed to by an employer. However, it is further provided that no reduction is to be made with respect to disability pensions, and veterans' pensions if the recipient is 65 years of age or over.

(3) The statutory limitation of \$350 million on amounts which may be granted to States for administration of their unemployment security systems is increased for fiscal years ending June 30, 1961, and June 30, 1962, to \$425 million.

(4) The agency administering the State law shall furnish the Secretary of Labor information, on a sample basis, relating to the personal characteristics, family situation, employment background, and experience under this act of individuals entitled to temporary extended unemployment compensation.

(5) The reimbursement provision of the House bill has been eliminated as unnecessary by reason of adoption of amendment 1, described above.

(6) The tax increase of 0.4 percent proposed under the House bill has been retained but has been moved forward 1 year, and will apply to wages paid in calendar years 1961 and 1962.

IV. REASONS AND NEED FOR A PROGRAM

President Kennedy in his letter transmitting proposed legislation on this subject to the President of the Senate dated February 6, 1961, stated:

In January, 5.4 million workers were without jobs. About 3.4 million were receiving unemployment compensation and about one-half million who had already exhausted their unemployment compensation were still unemployed. Unemployment compensation provides unemployed workers with necessary purchasing power. When this compensation is exhausted the purchasing power ceases. This has a serious impact not only on the worker and his family but on the economic health of the entire economy. The costs and effects of mass unemployment arising from a national recession clearly reach across State lines. The problem is national in scope, and the Federal Government has the responsibility for taking action as soon as possible to meet it. That is why I propose this temporary program as a first step.

For the most part State unemployment compensation programs at the present time are not designed to deal with long-term recession-created unemployment and the protracted period of seeking reemployment that typically exists in time of recession. It will be recalled that the Congress in 1958 enacted the Temporary Unemployment Compensation Act of 1958 to deal with the recession then existing.

Your committee, like the Ways and Means Committee of the House, believes this second extension of unemployment compensation benefits on a temporary basis is justified because generally the States

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have not dealt with the special problems involved in periods of protracted and high unemployment. In the case of those States that have established special provisions to meet the unusual circumstances that arise in a recessionary period, there has not been sufficient time to demonstrate the effectiveness of these programs. It is the hope of the committee that more States will act to deal effectively with the special problems imposed on the Federal-State unemployment compensation program so that the need for Federal action during times of recession can be alleviated.

As the President's letter pointed out, in January of 1961 it is estimated that 5.4 million American workers were unemployed. The weekly data on unemployment insurance claims suggest that the level of unemployment has continued to increase through February. On a seasonally adjusted basis, unemployment in February was 6.8 percent of our labor force. The unadjusted February level of unemployment of 5.7 million contrasts with a level of unemployment of 5.2 million for the corresponding month of the 1957-58 recession, February 1958. In terms of unemployment, the recession of 1960-61 is appreciably more severe than the recession of 1957-58 on the basis of what has happened already.

The unemployment compensation laws provided by the 50 States plus the District of Columbia and Puerto Rico are presently designed to take care of the unemployed only during limited periods of unemployment. On a nationwide average in 1960, an individual making his first claim for unemployment benefits had a potential duration of benefits of 24½ weeks. Under normal conditions, it is a reasonable expectation that an unemployed person who has been fully attached to the labor force and is actively seeking a job should be able to secure a job before exhausting his State benefits. In a time such as the present, however, when unemployment is widespread and people are being laid off at a high rate, it becomes very difficult for an unemployed individual to find work during the period of his benefit entitlement under State law. In February 1961 about 193,000 workers exhausted their benefits without finding full-time work. This figure represented an increase of 54 percent over the level of exhaustions in February of 1960 and was 33 percent higher than the exhaustions in February 1958, the corresponding point in the 1957-58 recession. The Department of Labor estimates that between June 30, 1960, and April 1, 1961, of the 1,400,000 workers who will have exhausted their unemployment compensation 720,000 will still be unemployed.

It is a typical pattern in a recession period for unemployment to continue rising for a significant period after an upturn in the general level of economic activity occurs. Even if we have an upturn in business conditions this coming spring, the Department of Labor estimates that the total number of unemployment compensation exhaustions in the period from July 1960 through March 1962 will be in the neighborhood of 4.5 million compared to 3.7 million in the corresponding period in the 1957-58 recession. It is estimated that about 3,120,000 unemployed workers will receive payments under the bill or receive unemployment compensation under State laws for more than 26 weeks of total unemployment between the effective date of the bill and April 1, 1962. The increase in consumer purchasing power that will occur under this bill will be an important contribution in helping to achieve and sustain this business upturn.

V. GENERAL EXPLANATION OF THE BILL

A. COMPENSATION PROVISIONS OF BILL

Under your committee's bill, as under the House-passed bill, an unemployed worker could receive 50 percent of the number of weeks provided under the State program by way of Federal temporary unemployment compensation (subject to a maximum of 13 weeks). In determining the number of weeks on which to base the 50-percent extended duration, the number of weeks provided in the State's "regular" compensation program, as well as the number of weeks provided under any "additional" unemployment compensation program which the State has established for periods of high unemployment, will be taken into account in determining payments to the unemployed worker. For example, if a State's "regular" unemployment compensation program provides 12 weeks of benefits and such State also has an additional unemployment compensation program which provides 6 weeks of benefits, the Federal payment to the unemployed worker would be 50 percent of this amount, or 9 weeks. The weekly benefit amount would be determined in accordance with the various State benefit formulas and benefits would be payable subject to the terms and conditions of the various State laws. To be entitled to benefits, a worker must be registered with a State employment office and must be able to work and available for work.

The bill, as passed by the House and as reported by your committee, provides that the total payments that can be made to an unemployed person will be fixed at the time of his first claim for temporary extended unemployment compensation. Once this total is fixed, the individual may not establish any additional entitlement to Federal payments by again qualifying for State benefits and again exhausting his State entitlement.

The bill provides that Federal payments may not be made if they would bring the total to which an individual is entitled (State and Federal) to more than 39 weeks of benefits for total unemployment without his establishing a new benefit year under State law. If an individual receives, prior to the effective date of this bill, 30 weeks of benefits under a State law and he was still unemployed after the effective date, he would be entitled to 13 additional weeks of temporary extended unemployment compensation but he could not obtain benefits for more than 9 weeks without establishing a new benefit year.

Nine States now have provisions in their permanent law for the payment of unemployment compensation for more than 26 weeks in a benefit year. A benefit year is usually the 12-month period which begins when the worker first becomes unemployed and files a claim. Six States have adopted provisions for temporarily extending their benefit duration during periods of high unemployment. In these States the temporary extended benefits are "triggered" during periods of high unemployment by reaching the percentage of unemployment specified in the State law. In five of the six States, temporary extended benefits are now being paid or are expected to be paid in the very near future. Two additional States have recently enacted temporary laws for extended duration of benefits.

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B. FINANCING PROVISIONS OF THE BILL

The bill provides that the estimated cost of \$827 million for temporary Federal extended unemployment payments is to be financed through a temporary increase in the Federal unemployment tax. This would be accomplished by raising the net amount of this tax which comes to the Federal Government from four-tenths of 1 percent to eight-tenths of 1 percent on the present taxable wage base of \$3,000. This increase of four-tenths of 1 percent would be effective for calendar years 1961 and 1962 and, it is estimated, will produce \$956 million. This increase in the tax would apply to all employers taxable under the Federal Unemployment Tax Act.

Under the House bill, the additional taxes collected would have been pooled for the purpose of paying temporary benefits to individuals who have exhausted their rights under State law in States that enter into agreements to pay such benefits. Under the House bill, a State, where for example there was little unemployment, would find a considerable portion of the additional taxes imposed by this bill being used for the payment of temporary extended unemployment compensation in other States where there was high unemployment. Under your committee's bill an amount equal to the additional taxes attributable to wages paid in a State as a result of the 0.4 percent increase in the Federal unemployment tax rate would be used for the purpose of paying unemployment benefits only within that State.

Information received by the committee indicates that, in effect, employers in about 40 States would be paying part of the cost of temporary extended unemployment compensation in the other 10 States. The committee is concerned that even though the tax to provide for payment of the benefits provided by the bill would be imposed uniformly on employers in all of the United States, the benefits provided by the bill would vary widely from State to State, depending upon the scope of each State law and the conditions of unemployment prevailing in each of the several States, and such payments would be paid out of such pooled funds. This constitutes a departure from the concept of unemployment insurance which has been in effect since the inception of the Federal-State unemployment compensation program in 1935. Under your committee's bill, this concept is retained, in that employers in each State will finance unemployment compensation paid to unemployed individuals in such State, and in that unemployment taxes imposed upon employers in a State will be used for the payment of unemployment compensation only within that State. Thus, an amount equal to the taxes attributable to wages in a State which is in excess of temporary extended unemployment compensation paid in that State would be credited to such State's account in the unemployment trust fund as of December 31, 1963. Employers in States in which payments of temporary extended unemployment compensation exceed an amount equal to taxes attributable to wages paid would be required to repay the difference to the Federal Government through decrease in the 90 percent credit against the Federal unemployment tax with respect to wages paid after 1963.

Under existing law the Federal unemployment tax is applied to employers who have four or more employees at the rate of 3.1 percent on the first \$3,000 paid to each employee. A credit of not to exceed

2.7 percent for State unemployment taxes is provided for employers against this 3.1 percent tax, accounting for the net Federal tax of four-tenths of 1 percent. The rates of tax imposed by the various States vary. Within a State the tax rates vary under the "experience rating" provisions of its law.

The bill increases the Federal unemployment tax to 3.5 percent for taxable years 1961 and 1962. The 2.7 percent credit against this 3.5 percent would still apply. Thus, for the 2 years involved the net additional Federal tax would be 0.4 percent for the purposes of financing the program provided by the bill. However, in those States in which benefits paid under this bill exceed an amount equal to the additional taxes which are attributable to such State, there would be a reduction in the 90-percent credit against the Federal unemployment tax paid by employers therein until the deficit has been repaid to the general fund of the Treasury.

The machinery which would be established for financing these temporary Federal payments would be the setting up of a separate account in the unemployment trust fund to be called the "Federal extended compensation account." Initially, the cost of these payments will be met by advances from the general fund of the Treasury to the Federal extended compensation account. These advances (excluding the cost of extended benefits for Federal employees and ex-servicemen) will be repaid out of the proceeds from the temporary increase of four-tenths of 1 percent in the net Federal unemployment tax, and if necessary out of additional taxes collected by reason of reduction in the 90-percent credit commencing with respect to wages paid in calendar year 1964.

C. PERIOD COVERED BY THE BILL

Temporary Federal unemployment compensation may be paid for weeks of unemployment beginning 15 days after the date of enactment of this legislation. As noted earlier, these payments will be made only in the case of States which choose to enter agreements with the Secretary of Labor and only after the agreements are entered into. Payments may be made with respect to individuals who have exhausted their benefits under applicable State law after June 30, 1960, and before April 1, 1962. A person who has begun to receive benefits provided by the bill by April 1, 1962, can continue to receive such payments for weeks of unemployment which began on or before June 30, 1962, the termination date for the program.

The temporary increase in the Federal unemployment tax from 3.1 to 3.5 percent (an increase of four-tenths of 1 percent in the net Federal tax) will apply for the calendar years 1961 and 1962 only. However, as described above, there may be a reduction in the 90-percent credit with respect to employers in some States after 1963.

D. ADMINISTRATIVE COSTS

Your committee has added a provision to the House bill to increase, on a temporary basis, the ceiling on grants for State employment security administration purposes for the fiscal years ending June 30, 1961, and June 30, 1962, from the present level of \$350 million to \$425

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million. In a letter dated March 1961, Secretary Goldberg informed the committee as follows:

Costs of State administration have already risen above this ceiling. Insured unemployment is almost 65 percent above the \$325,819,000 provided in the 1961 appropriation, and the States must have an additional \$40,650,000 in administrative funds to pay benefits promptly and properly. This amount is \$16,469,000 higher than the ceiling. The pending request for 1962 is also higher.

The legislation this committee is now considering, temporary extended unemployment compensation, will require an additional amount. To administer this bill, State employment security agencies will need \$9,900,000 in 1961 and \$16,100,000 in 1962.

The President has announced his intention to provide a better and expanded public employment service and has under consideration a request for additional funds of \$1,700,000 for 1961 and \$23,700,000 for 1962 to achieve this purpose.

The Congress is considering area redevelopment legislation and legislation which would provide benefits to the children of the unemployed. Both of these measures, if enacted, would impose additional responsibilities on State employment security agencies.

The employment security system plays a key part in the Government's programs to help the unemployed, to stimulate economic recovery and long-run economic growth.

I therefore earnestly urge your committee to amend H.R. 4806 to remove the limitation of the \$350 million on State administrative costs. If the committee is unwilling to remove the ceiling, I urge that the limitation be raised to \$425 million.

E. INFORMATION

Because of the dearth of information available with respect to the character of unemployed individuals who would qualify for benefits provided by bills such as this and because your committee feels such information is essential for the proper consideration of similar legislation in the future, the House bill has been amended to provide that information be furnished to the Secretary of Labor concerning the personal characteristics, family situations, and employment background and experience of individuals entitled to benefits under this bill.

F. REDUCTION OF BENEFITS

Information has come to the attention of the committee to the effect that in many instances individuals who are no longer connected with the labor force nonetheless continue to draw unemployment compensation even though they are concurrently drawing retirement benefits under a retirement plan, either public or private, to which employers make contributions. For example, instances have been

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brought to our attention of individuals who have concurrently received civil service benefits, social security benefits, and unemployment compensation. Your committee does not believe such an individual is connected with the labor force and therefore he should not receive the temporary extended unemployment compensation provided by this bill. Accordingly, the House bill has been amended to provide that the temporary extended unemployment compensation provided by this bill shall be reduced by amounts received under retirement plans, other than disability pensions, and veterans pensions payable to an individual age 65 or over.

G. ADDITIONAL INFORMATION

The following tables have been submitted by the Department of Labor:

TABLE 1.—Estimated additional tax collections compared with expected benefit payments by States under H. R. 4806

[Amounts in millions]

State	Tax collections	Benefit payments ¹	State	Tax collections	Benefit payments ¹
Total.....	\$984.0	\$928.2	Missouri.....	\$23.6	\$11.0
Alabama.....	12.2	10.0	Montana.....	2.6	1.1
Alaska.....	1.2	2.2	Nebraska.....	5.2	.5
Arizona.....	5.7	2.1	Nevada.....	2.0	2.0
Arkansas.....	5.3	4.7	New Hampshire.....	3.4	.4
California.....	99.4	80.0	New Jersey.....	39.7	51.2
Colorado.....	8.3	2.0	New Mexico.....	3.9	2.3
Connecticut.....	18.5	18.2	New York.....	119.9	170.0
Delaware.....	3.2	2.0	North Carolina.....	19.9	7.9
District of Columbia.....	5.5	2.2	North Dakota.....	1.6	.9
Florida.....	21.4	9.5	Ohio.....	62.4	85.0
Georgia.....	16.7	12.0	Oklahoma.....	8.9	5.8
Hawaii.....	3.1	.7	Oregon.....	9.6	10.6
Idaho.....	2.5	1.6	Pennsylvania.....	70.7	82.0
Illinois.....	68.6	40.0	Puerto Rico.....	3.2	3.2
Indiana.....	28.0	26.0	Rhode Island.....	5.5	5.5
Iowa.....	10.8	3.5	South Carolina.....	9.1	7.3
Kansas.....	8.5	3.5	South Dakota.....	1.6	.2
Kentucky.....	10.6	15.0	Tennessee.....	15.0	8.0
Louisiana.....	13.1	12.9	Texas.....	42.1	30.0
Maine.....	4.5	2.0	Utah.....	4.1	2.0
Maryland.....	15.8	10.0	Vermont.....	1.7	.6
Massachusetts.....	34.2	30.0	Virginia.....	16.1	5.5
Michigan.....	46.6	93.0	Washington.....	15.4	8.9
Minnesota.....	16.0	14.4	West Virginia.....	8.4	9.5
Mississippi.....	5.7	2.2	Wisconsin.....	21.5	16.0
			Wyoming.....	1.5	1.1

¹ Includes about \$100 million in benefit payments in excess of 26 weeks made under State law, and excludes payments to Federal civilian employees and ex-servicemen.

Source: Estimates of tax collections furnished by Department of Labor and estimates of benefit payments furnished by State employment security agencies.

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TABLE 2.—Method of computing potential duration and maximum weeks payable, Jan. 1, 1961

State	Method of computing: Proportion of base-period earnings or of weeks of employment	Maximum weeks payable
Alabama	1/3	20
Alaska	30-29 percent	26
Arizona	1/3	26
Arkansas	1/3	26
California	1/3	1 26-39
Colorado	1/2	32 1/2
Connecticut	1/3	1 26-39
Delaware	29 percent	26
District of Columbia	1/3	26
Florida	1/2 weeks of employment	26
Georgia	1/3	26
Hawaii	Uniform duration	26
Idaho	32-29 percent	1 26-39
Illinois	37-32 percent	1 26-39
Indiana	1/3 ¹	26
Iowa	1/3	26
Kansas	1/3	26
Kentucky	1/3	26
Louisiana	2/3	25
Maine	Uniform duration	26
Maryland	do	26
Massachusetts	36 percent	30
Michigan	2 1/2 weeks of employment	26
Minnesota	42-33 percent	26
Mississippi	1/3	26
Missouri	1/3 ²	26
Montana	Uniform duration	22
Nebraska	1/3	26
Nevada	1/3	26
New Hampshire	Uniform duration	26
New Jersey	3 1/2 weeks of employment	26
New Mexico	3/5	30
New York	Uniform duration	26
North Carolina	do	1 26-34
North Dakota	do	24
Ohio	100 percent	26
Oklahoma	1/3	39
Oregon	1/3	26
Pennsylvania	Uniform duration	30
Rhode Island	3 1/2 weeks of employment	26
South Carolina	1/3	22
South Dakota	32-26 percent	24
Tennessee	Uniform duration	22
Texas	1/3	24
Utah	29-42 percent ³	36
Vermont	Uniform duration	1 26-39
Virginia	1/3	20
Washington	1/3	30
West Virginia	Uniform duration	24
Wisconsin	7/10 of first 20 weeks of employment; 3/10 additional weeks.	34
Wyoming	3/10	26

¹ Where 2 figures are shown, higher represents the temporary maximum payable during periods of heavy unemployment, as defined in the State law.

² Only specified amount of wages per quarter may be used for computing duration benefits: \$950 in Indiana and \$358 in Missouri.

³ Maximum potential benefits range from 10 weeks if base period wages are less than 1.6 times high-quarter wages to 36 weeks if base-period wages are at least 3.3 times high-quarter wages. The lower and higher percentage of base-period wages shown apply at high-quarter multiples of 1.6 and 3.3 respectively.

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TABLE 3.—Provisions for automatic temporary extension of duration of benefits, January 1961

State	Basic duration provision	Increase in entitlement during extended period	Conditions under which extended benefits become payable ("trigger") ¹
California.....	Variable— $\frac{1}{2}$ of base period wages; maximum of 26 weeks.	50 percent of individual's basic entitlement.	Insured unemployment rate for most recent 3 months is 6 percent or more.
Connecticut.....	Variable— $\frac{1}{4}$ of base period wages; maximum of 26 weeks.do.....	Insured unemployment rate is 6 percent or more for 8 of the most recent 10 weeks.
Idaho.....	Variable—32 to 29 percent of base period wages; maximum of 26 weeks.do.....	Insured unemployment rate for the midweek of the month exceeds 6 percent and exhaustion ratio for the period since the start of the current benefit year ² is over 10 percent higher than average for same period for preceding 7 years.
Illinois.....	Variable—38 to 32 percent of base period wages; maximum of 26 weeks.do.....	Insured unemployment rate is 4.375 percent or higher for 2 consecutive months.
North Carolina.....	Uniform 26 weeks.....	8 times weekly benefit amount.	Insured unemployment rate is 9 percent or more for any 3 weeks in a consecutive 4-calendar-week period.
Vermont.....do.....	13 times weekly benefit amount.	Insured unemployment rate exceeds 7 percent for 4 consecutive weeks.

¹ Terminology, definitions, and methods of computing insured unemployment rate vary among these States.

² Idaho has a uniform benefit year.

TABLE 4.—Impact of current recession on provision for automatic temporary extension of duration in 6 States

State	Date extension became or expected to become operative during 1961
California.....	Feb. 26.
Connecticut.....	Feb. 20.
Idaho.....	Feb. 1.
Illinois.....	Feb. 19.
North Carolina.....	Expected to remain inoperative.
Vermont.....	Jan. 9.

TABLE 5.—Temporary State provisions for extension of duration of benefits, Mar. 15, 1961

State	Basic duration provision	Increase in entitlement during extended period	Conditions under which extended benefits become payable ("trigger")
Delaware.....	Variable—29 percent of base period wages; maximum of 26 weeks.	50 percent of individual's basic entitlement.	Effective Mar. 5, 1961 (10 days after enactment). Terminates July 31, 1961.
New York.....	Uniform 26 weeks.....	13 times weekly benefit amount.	"Trigger" when total exhaustions for 13 consecutive weeks exceed 1 percent of covered employment (estimated between Mar. 15 and Apr. 15, 1962). Terminates Apr. 1, 1962.

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VI. SECTION-BY-SECTION ANALYSIS

FIRST SECTION. SHORT TITLE

This section provides a short title for the bill. The short title is "Temporary Extended Unemployment Compensation Act of 1961."

SECTION 2. DEFINITIONS

Section 2 of the bill contains definitions of certain terms used in the bill.

(1) *Compensation period*.—Paragraph (1) defines "compensation period" as the period which begins on the first day of an individual's benefit year and extends until the beginning of his next succeeding benefit year in any State. The benefit year is the same as that used in the applicable State law. Where, however, the applicable State law does not define a benefit year, the term has the meaning prescribed by the Secretary by regulation or in the agreement with the State.

The "compensation period" may be shorter or longer than a benefit year.

Example 1: For a claimant who established a benefit year on February 1, 1960, who exhausted his benefits on July 15, 1960, and who does not establish any other benefit year before the termination of this temporary Federal program, the compensation period will be the period beginning February 1, 1960, and ending at the termination of this temporary program.

Example 2: The claimant's benefit year under a State law began January 1, 1961. On June 15, 1961, he exhausts his rights to State unemployment compensation and qualifies for Federal extended unemployment compensation under this bill. On July 1, 1961, he establishes a new benefit year under the law of another State. His first compensation period begins on January 1, 1961, and ends on June 30, 1961. His second compensation period begins on July 1, 1961.

(2) *First claim*.—Paragraph (2) defines the term "first claim" as the first request by an individual for a determination of his rights to the temporary extended unemployment compensation which the bill provides, whether or not any compensation is paid on the claim. Thus, the first claim for temporary extended unemployment compensation filed by an individual who has exhausted his State benefit rights determines his rights under this program even though he returns to work before completing a week of unemployment for which temporary extended unemployment compensation is payable.

(3) *State unemployment compensation*.—Paragraph (3) defines the term "State unemployment compensation" as meaning the regular and additional unemployment compensation payable to an individual under State law or, in the case of ex-servicemen and Federal civilian employees, title XV of the Social Security Act. It thus includes both (1) regular unemployment compensation (that is, the compensation payable under all State laws without regard to the level of unemployment), and (2) additional unemployment compensation (that is, the additional compensation provided by the laws of some States during periods of high unemployment as measured by the applicable State law).

(4) *Secretary*.—Paragraph (4) defines the term "Secretary" as meaning the Secretary of Labor.

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(5) *State*.—Paragraph (5) states that the term “State” includes the District of Columbia and the Commonwealth of Puerto Rico.

(6) *State agency*.—Paragraph (6) defines the term “State agency” as meaning the agency of the State which administers the State unemployment compensation law.

(7) *State law*.—Paragraph (7) defines the term “State law” as meaning the unemployment compensation law of any State (including the District of Columbia and Puerto Rico) approved by the Secretary of Labor under section 3304 of the Internal Revenue Code of 1954. The term also includes the Puerto Rico law during the period after June 30, 1960, and before January 1, 1961 (a period during which Puerto Rico was not included as a “State” for purposes of Federal unemployment compensation legislation). This extension of the definition permits payment of temporary extended unemployment compensation under the bill to unemployed workers in Puerto Rico who exhausted their Puerto Rico benefit rights after June 30, 1960.

(8) *Temporary extended unemployment compensation*.—Paragraph (8) defines “temporary extended unemployment compensation” as meaning the additional unemployment compensation provided for by the bill.

(9) *Title XV*.—Paragraph (9) defines “title XV” as meaning title XV of the Social Security Act, which provides unemployment compensation for Federal civilian employees and ex-servicemen.

(10) *Week*.—Paragraph (10) defines “week” as meaning a week as defined in the applicable State law.

SECTION 3. PAYMENT OF COMPENSATION

(a) *Eligibility*.—Subsection (a) of section 3 provides that the temporary extended unemployment compensation provided for by the bill shall be paid for weeks of unemployment beginning in the covered period described in section 5 to individuals who, after June 30, 1960, have exhausted all rights under State law and title XV, and who have no rights to unemployment compensation for that week under any other State or Federal unemployment compensation law. Thus, if an individual who has received temporary extended unemployment compensation has wages on the basis of which he can again qualify for State unemployment compensation, his rights to temporary extended unemployment compensation under the bill will be interrupted and he will not again become entitled to such temporary extended unemployment compensation until after he has exhausted such new State benefit rights (or until after such rights have ceased to exist through the passage of time).

In general, an individual has exhausted his rights under State law when—

(1) he has received the maximum benefits allowable to him under such State law before the expiration of his benefit year, or

(2) his benefit year under such State law expires before he has received such maximum benefits and he does not have the necessary earnings to establish a new benefit year which begins immediately after such expiration.

Under subsection (a) of section 3, the meaning of the term “exhausted” is to be prescribed by the Secretary of Labor by regulations. It is contemplated that these regulations will be substantially the same

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as the regulations on this point prescribed under the Temporary Unemployment Compensation Act of 1958 (see 20 CFR, pars. 613.3 and 613.4), except to the extent that such regulations have to be modified for differences between the provisions of this bill and the provisions of the 1958 act (such as the reimbursement feature of the bill and its coordination with the payment of the temporary extended unemployment compensation provided by the bill).

Once a determination is made that an individual has exhausted all his rights to unemployment compensation under State law, and that (with respect to the week of unemployment in question) he has no rights to unemployment compensation under any other Federal or State unemployment compensation law, then the determination as to whether he is entitled to the payment of temporary extended unemployment compensation for such week is to be made under the applicable State law (see discussion of subsec. (c) below).

Even though an individual has exhausted his rights under State law and has not begun a new benefit year, he may be ineligible for compensation under this bill. For example, an individual who was entitled to benefits under State law for 26 weeks was disqualified after drawing 10 weeks of benefits for refusing an offer of suitable work without good cause. Assume that the State law provides that the disqualification will continue for the duration of his unemployment and until he has earned wages of 10 times his weekly benefit amount. Assume further that he does not satisfy this requirement during the benefit year. This individual becomes an exhaustee for purposes of this bill at the close of his benefit year (provided no new benefit rights are available at this point). However, despite the "exhaustion," he is not entitled to temporary extended unemployment compensation with respect to this exhaustion unless and until he has earned wages of 10 times his weekly benefit amount. This would be the result under the State law and would, therefore, be the result under this bill (see sec. 3(c) of the bill).

(b) *Weekly benefit amount.*—Subsection (b) of section 3 of the bill provides that the amount of temporary extended unemployment compensation payable to an individual for a week of total unemployment is the weekly benefit amount, including dependents' allowances, which was payable for a week of total unemployment under the State law or title XV under which he last exhausted his rights before making his first claim for temporary extended unemployment compensation under the bill.

The weekly benefit amount payable to him under the bill as temporary extended unemployment compensation is fixed by such first claim, and will not change for the duration of this program. Thus, a claimant, entitled to temporary extended unemployment compensation of \$30 a week on his "first claim," might, before using all his rights to temporary extended unemployment compensation, become entitled to State unemployment compensation at a weekly benefit amount higher or lower than \$30 a week. If, however, he later exhausts his new State benefit rights, and again becomes eligible for temporary extended unemployment compensation, his weekly benefit amount will remain at the original \$30 rate established on his first claim.

The amount of temporary extended unemployment compensation payable for a week of partial unemployment is to be computed on

the basis of the weekly benefit amount for a week of total unemployment, with dependents' allowances being taken into account in the computation in the same manner as under the applicable State law.

(c) *Application of State laws.*—Under subsection (c) of section 3 of the bill, the terms and conditions of the State law or title XV under which an individual most recently exhausted his rights apply to his claim for, and the payment of, temporary extended unemployment compensation, except where these terms and conditions are inconsistent with the provisions of the bill.

For example, some State laws provide that individuals exhausting their benefits in a benefit year cannot draw benefits in a subsequent benefit year unless, in addition to meeting the regular qualifying requirements, they meet a special requirement as to recent earnings or employment. Such a requalification requirement will not bar these individuals from temporary extended unemployment compensation, since it merely goes to the establishment of a new benefit year under State law. Even if the individual had no wage record on which to establish a second benefit year, under section 3(a) of the bill he is an exhaustee with respect to the first benefit year. It is to be noted that this result with respect to a requalification requirement is different from the result in the case of a disqualification based on action by an individual. In the latter case, the disqualification provisions of the State law are to be applicable.

Where an individual receives State benefits in 2 benefit years and under two State laws within the covered period (as defined in sec. 5 of the bill), the weekly benefit amount applicable to temporary extended unemployment compensation throughout the covered period will be that weekly benefit amount to which he was entitled under the law of the State under which he first exhausted his benefit rights. Except as otherwise provided in the bill, his eligibility for a given week, however, will be determined under the law of the State where he most recently exhausted his rights.

In States which reduce benefits or cancel base-period wages when a disqualification is imposed, for purposes of determining the maximum aggregate amount under section 4(a) of the bill the State agency will determine (under the provisions of its law) whether the State unemployment compensation taken into account is to be the amount before, or after, such reduction or cancellation.

Where a claimant was entitled to 13 weeks of temporary extended unemployment compensation but after the first week was disqualified for 10 weeks because of a work refusal in a State which reduces benefits for an equal number of weeks, his maximum aggregate amount would be reduced by 10 times his weekly benefit amount.

SECTION 4. LIMITATION ON TOTAL PAYMENTS

(a) *Overall limitation.*—Subsection (a) of section 4 limits the maximum aggregate amount payable under the bill with respect to any individual, to the lesser of (1) 50 percent of the total State unemployment compensation (including dependents' allowances) payable to him for his first compensation period, or (2) 13 times his weekly benefit amount for his first compensation period.

The maximum aggregate amount with respect to an individual under the bill is determined on the basis of his State benefit rights

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in his first compensation period. State benefit rights include regular benefits, allowances for dependents, and additional unemployment compensation payable in times of high unemployment. For example, an individual whose regular benefits under a State law were 20 times a weekly benefit amount of \$30 (or \$600), and who exhausts such benefits and files a first claim under this program, will have a maximum aggregate amount of 10 times \$30 (or \$300). If, however, the State law provided for additional unemployment compensation aggregating 50 percent of his regular benefits, his State benefit rights will be 30 times \$30 (or \$900). Under this bill, his maximum aggregate amount is 13 times \$30 (or \$390).

This limit, once established, remains as a ceiling on the individual's rights. If, in his first compensation period, the individual is entitled to State unemployment compensation of \$25 a week for 14 weeks of total unemployment, his maximum aggregate amount will be \$175 (\$25 times 7). This will remain his maximum aggregate amount even if, in a second compensation period, he is entitled to State unemployment compensation of 26 times \$30.

Several of the State laws which have provisions for paying additional unemployment compensation during periods of high unemployment provide that this additional compensation will not be payable for weeks of unemployment for which any Federal unemployment compensation is payable. In such a case, the additional compensation payable under the State law is to be taken into account in determining the overall limitation provided by section 4(a) of the bill, but only to the extent that such additional compensation was payable for weeks of unemployment occurring before the suspension or termination of the State provision. In the case of any suspension of benefits any amount which (by reason of the fact that it was not paid before such suspension) becomes payable at some future time will be treated, for purposes of the preceding sentence, as payable only at such future time.

(b) *Limitation based on compensation period.*—Subsection (b) of section 4 of the bill limits the amount of temporary extended unemployment compensation payable with respect to any individual during a single compensation period by prohibiting any payment of temporary extended unemployment compensation which, when added to the State unemployment compensation and temporary extended unemployment compensation paid to the individual for prior weeks in the compensation period, would exceed 39 times the individual's weekly benefit amount for the compensation period. This limitation is in addition to the overall limitation provided in subsection (a).

To illustrate the effect of the limitations contained in subsections (a) and (b), assume that an individual exhausted his rights to State benefits after drawing 30 weeks of benefits for total unemployment at \$30 a week (or \$900). Subsection (a)(2) would provide a ceiling on the maximum aggregate amount of \$390 (13 times \$30). Under subsection (b), however, no payment of temporary extended unemployment compensation can be made in the compensation period if, when added to the State unemployment compensation and the temporary extended unemployment compensation already paid to the claimant during such period, such payment would exceed 39 times the individual's weekly benefit amount, that is, \$1,170. Thus, since at the time of his first claim under the bill, the individual had already

received \$900 of State unemployment compensation in this compensation period, the maximum amount of temporary extended unemployment compensation that may be paid to him in such compensation period will be \$270 (9 weeks at \$30 a week). Since \$270 is less than the maximum aggregate amount of \$390 established for the covered period under subsection (a), the individual will still have available a sum of \$120 on which he may draw during a later compensation period (to the extent that such period falls within the covered period specified in sec. 5).

(c) *Definitions.*—Subsection (c) of section 4 of the bill defines the terms “first compensation period” and “weekly benefit amount” as these terms are used in section 4. The term “first compensation period” is defined in paragraph (1) of subsection (c) as the compensation period in which the individual last exhausted his rights before making his first claim for temporary extended unemployment compensation.

Paragraph (2) provides that, for purposes of the limitations contained in section 4, the weekly benefit amount for any compensation period is the amount of compensation (including dependents’ allowances) payable to an individual for a week of total unemployment in the compensation period pursuant to State law or title XV.

SECTION 5. COVERED PERIOD

Section 5 of the bill specifies the period covered by the bill. No temporary extended unemployment compensation may be paid for a week of unemployment unless the week begins within the covered period. It is to be noted that the bill will apply to a week which begins within the covered period even though such week ends beyond the covered period.

The covered period begins on (1) the 15th day after the date on which the bill is enacted, or (2) the day after the date on which the agreement under section 6 or 7 is entered into, whichever is the later.

The covered period ends on (1) March 31, 1962, or (2) June 30, 1962, in the case of an individual who had a week beginning before April 1, 1962, with respect to which temporary extended unemployment compensation was payable under section 3 or 7. In this connection the State regulations and practices with respect to retroactive filing would apply.

SECTION 6. AGREEMENTS WITH STATES

(a) *In general.*—Subsection (a) of section 6 of the bill authorizes the Secretary of Labor to enter into an agreement with a State (or with the agency administering the unemployment compensation laws of such State) providing that the State agency will make payments of temporary extended unemployment compensation to the individuals referred to in section 3 of the bill as agent of the United States, and will cooperate with the Secretary of Labor and with other State agencies in making payments under the bill.

Except as provided in section 7 of the bill, no temporary extended unemployment compensation will be paid except under an agreement entered into under section 6 of the bill.

(b) *Amendment, suspension, or termination of agreement.*—Subsection (b) of section 6 provides that each agreement shall specify the terms and conditions for its amendment, suspension, or termination.

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(c) *No denial or reduction of State benefits.*—Subsection (c) of section 6 provides that agreements under this bill shall provide that regular unemployment compensation otherwise payable to an individual under the State's unemployment compensation law will not be denied or reduced for any week by reason of any right to temporary extended unemployment compensation under this bill. This subsection does not apply to additional unemployment compensation payable in periods of high unemployment and, therefore, does not limit the right of a State to terminate or suspend provisions for payment of such additional unemployment compensation.

(d) *Review.*—Under subsection (d) of section 6, any determination by a State agency as to entitlement to temporary extended unemployment compensation pursuant to an agreement under the bill is subject to administrative and judicial review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in such manner and to such extent.

(e) *Reduction of benefits.*—Subsection (e) provides that any individual who is a primary beneficiary of any pension or retirement plan established by the Federal or a State Government or established by any private employer (if the employer contributes to the fund from which disbursements are made) and who is also entitled to temporary extended unemployment compensation benefits under the act will suffer a reduction in such unemployment compensation benefits payable for any week in an amount equal to the amount of his benefits under any such plan which are attributable to such week. This subsection specifically provides that the reductions provided for shall not be applied to reduce any individual's temporary unemployment compensation benefits by reason of his eligibility for any pension or retirement benefit which is based on disability. The subsection further provides that such reductions shall not be made from such unemployment compensation benefits on account of the receipt by any individual of a veterans pension, if the recipient is at least 65 years of age.

SECTION 7. EX-SERVICEMEN AND FEDERAL EMPLOYEES

(a) *In States which do not have agreements.*—Subsection (a) of section 7 provides that for the purpose of paying the temporary extended unemployment compensation provided by the bill to individuals who have, after June 30, 1960, exhausted their rights to unemployment compensation under title XV of the Social Security Act (relating to Federal civilian employees and ex-servicemen) in a State with which there is no agreement under section 6 with respect to the weeks of unemployment concerned, the Secretary of Labor is authorized to extend any existing agreement with such State. Any such extension is to apply only to weeks of unemployment beginning after such extension is made. This subsection also provides that such an extension shall be treated as an agreement entered into under this bill.

(b) *In the Virgin Islands.*—Subsection (b) of section 7 provides that for the purpose of paying the temporary extended unemployment compensation provided in this bill to individuals in the Virgin Islands who have, after June 30, 1960, exhausted their rights to unemployment compensation under title XV of the Social Security Act (relating to Federal civilian employees and ex-servicemen), the

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Secretary of Labor may utilize the agency in the Virgin Islands cooperating with the U.S. Employment Service under the act of June 6, 1933 (the Wagner-Peyser Act). This subsection also provides that the Secretary may delegate to the officials of such agency any authority granted to him by this bill whenever he determines that such delegation is necessary in carrying out the purpose of this bill. This subsection further provides that the Secretary may allocate or transfer funds or otherwise pay or reimburse such agency for the total cost (including administrative expenses) of the temporary extended unemployment compensation paid under this bill. Temporary extended unemployment compensation in the Virgin Islands will be paid under the terms and conditions of the District of Columbia unemployment compensation law except where inconsistent with the provisions of the bill.

Special provision must be made with respect to the Virgin Islands because it does not have an unemployment compensation law and the only unemployment compensation payable in that jurisdiction is under title XV.

(c) *Review.*—Subsection (c) of section 7 of the bill provides that any individual referred to in subsection (b) (that is, an individual in the Virgin Islands) whose claim for temporary extended unemployment compensation has been denied shall be entitled to a fair hearing and review as provided in section 1503(c) of the Social Security Act.

SECTION 8. PENALTIES

(a) *False statements, etc.*—Subsection (a) of section 8 of the bill prescribes a fine of not more than \$1,000 or imprisonment for not more than 1 year, or both, for knowingly making a false statement of a material fact or failing to disclose such a fact to obtain or increase any payment under the bill for oneself or for another. These criminal penalties are in addition to any applicable State penalties and in addition to the State disqualifications for fraudulent claims (which will be applicable to fraudulent claims under this bill).

(b) *Recovery of overpayments.*—Subsection (b) of section 8 provides that the State agency, or the Secretary of Labor in the case of the Virgin Islands, may recover any payment fraudulently received by requiring repayment or by deductions from future temporary extended unemployment compensation. Recovery by repayment or recoupment can be required only after the claimant has been given an opportunity for a fair hearing, with any right to further appeal which is appropriate under the appeal provisions of sections 6(d) and 7(c).

Amounts repaid to a State agency shall be deposited into the fund from which the payment was made. Amounts repaid to the Secretary of Labor will be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

SECTION 9. INFORMATION

Section 9 of the bill provides that the agency administering the unemployment compensation law of any State shall furnish to the Secretary of Labor such information as the Secretary may find necessary or appropriate in carrying out the provisions of the bill.

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Any such information required from any State shall include data, on a sampling basis, relating to the personal characteristics, family situation, the employment background, and the experience under this act of individuals entitled to benefits under the act. Though some information concerning the characteristics of claimants was gathered in the process of administering the TUC Act of 1958, the information was insufficient to allow for an evaluation, in the consideration of this bill, of the purpose and need of an extended duration benefit program.

It is increasingly apparent that Congress will find it necessary in the future to consider the extension of benefit payments, and pertinent information, which is to be gathered in the administration of this act, will be most valuable in the formulation of any future program of extended duration payments. The reference to personal characteristics means that information shall be secured as to age, sex, and whether recipients are heads of families, single individuals, or secondary wage earners. Information shall also be obtained with respect to these three classifications as to the number of dependents, if any, and how many of such dependents are wage earners. As specified in the section, information from the States shall show the employment background of recipients and this should reflect how steadily the individual has been employed in recent years and how frequently he has claimed and exhausted State unemployment benefits in these years.

With reference to "experience under this act," as specified in the section, the above designated information shall be gathered on a periodic basis during the time that the benefit provisions of the act are operative, with the objective of determining the composition of the group receiving benefits.

As specified in the section, the above information is to be secured on a sampling basis. Such sampling shall be of a magnitude as to permit a reasonable representation in each State. Such information is to be included in the Labor Department's publication which currently sets out the "personal and economic characteristics" of the insured unemployed under State laws.

SECTION 11. PAYMENTS TO STATES

(a) *Payment on calendar month basis.*—Under subsection (a) section 10 of the bill, the United States will pay to each State which has an agreement with the Secretary of Labor which contains provisions for paying temporary extended unemployment compensation such sums as he estimates the State will be entitled to receive in each calendar month for the payment of temporary extended unemployment compensation under the bill. Such payments may be either advances or reimbursements.

(b) *Certification.*—Subsection (b) of section 11 provides that the Secretary of Labor will certify periodically to the Secretary of the Treasury for payment to each State which has an agreement under the bill sums necessary for the payment of temporary extended unemployment compensation.

(c) *Money to be used only for purposes for which paid.*—Subsection (c) of section 10 requires the States to use the money received under the bill only for the purpose for which it is paid. It provides

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further that any money not so used must be returned to the Treasury to be credited to current applicable appropriations, funds, or accounts for which payments to States under the bill are made.

(d), (e), and (f) Surety bonds; liability of certifying and disbursing officers.—Subsections (d), (e), and (f) of section 10 relate to the furnishing of surety bonds and the relieving of certifying and disbursing officials of liability except in cases of gross negligence or fraud.

(g) Costs of administration.—Subsection (g) of section 10 provides that for the purpose of grants made to a State under title III of the Social Security Act, administration by a State agency pursuant to an agreement entered into under the bill is deemed to be a part of the administration of the State law.

SECTION 11. REGULATIONS

Section 11 of the bill authorizes the Secretary to make rules and regulations necessary to carry out the provisions of the bill. These will include regulations which prescribe a method for computing an average weekly benefit amount whenever there is more than one weekly benefit amount payable under the State law in any compensation period. These regulations may include a provision that the weekly benefit amount for purposes of section 3 of the bill, and the amount of any limitation under section 4 of the bill, will be determined by excluding weekly benefit amounts for the first week for which such computation is being made and for weeks thereafter.

SECTION 12. FEDERAL EXTENDED COMPENSATION ACCOUNT

Section 12 of the bill adds to title IX of the Social Security Act, as amended, a new section 905 relating to the establishment of a Federal extended compensation account in the unemployment trust fund and the utilization of the account in connection with the program provided by the bill.

(a) Establishment of account.—Subsection (a) of the new section 905 establishes within the unemployment trust fund a separate book account to be known as the Federal extended compensation account. The subsection authorizes appropriations from the general fund of the Treasury of the amounts necessary to make the payments of compensation provided for in sections 3 and 7 of the bill. The amounts appropriated are to be transferred to the Federal extended compensation account when required to make the payments referred to in such sections. The amounts so transferred to the Federal extended compensation account are treated as repayable advances without interest. However, there are excluded from the repayable advances the amounts used to make payments of compensation provided in sections 3 and 7 of the bill to individuals by reason of exhaustion of their rights to unemployment compensation under title XV of the Social Security Act (unemployment compensation for Federal civilian employees and ex-servicemen). It is contemplated that transfers to the Federal extended compensation account from amounts appropriated will be effected concurrently with the withdrawals from the account to be used in making the payments and reimbursements provided by the bill. Thus only a minimum balance will be maintained in the account.

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Under the last sentence of section 905(a), the repayable advances from the general fund of the Treasury are to be repaid by transfers from the Federal extended compensation account to the general fund of the Treasury at such times as the amount in the Federal extended compensation account is determined by the Secretary of the Treasury (in consultation with the Secretary of Labor) to be adequate for such purpose. This will occur as amounts approximating the amounts of the temporary additional 0.4 percent Federal unemployment tax provided by section 13 of the bill are transferred to the account in 1962 and 1963, as described below.

(b) *Transfers to account.*—Under existing law (sec. 901(b)(1) of the Social Security Act) amounts equal to taxes received under the provisions of the Federal Unemployment Tax Act are appropriated to the unemployment trust fund for credit to the employment security administration account. Under section 901(b)(2) of the Social Security Act, the amounts so appropriated are transferred at least monthly from the general fund of the Treasury to the unemployment trust fund and credited to the employment security administration account. Under the new section 905(b), there is to be transferred (as of the close of each month in the calendar years 1962 and 1963) from the employment security administration account to the Federal extended compensation account an amount determined by the Secretary of the Treasury to be 50 percent of the amount by which—

(1) the amount transferred during any month to the employment security administration account (as discussed above) exceeds

(2) the total payments during such month from the employment security administration account representing (A) refunds of tax pursuant to section 901(b)(3) of the Social Security Act and (B) the additional tax attributable to reduced credits pursuant to section 901(d) of such act.

To cover the possibility that in a given month payments from the employment security administration account referred to in paragraph (2), above, exceed the amounts credited to such account during the same month, provision is made for appropriate adjustment in subsequent transfers.

(c) *Transfers to State accounts.*—Subsection (c)(1) of the new section 905 provides for the distribution as of December 31, 1963, to the accounts of each State in unemployment trust fund of an amount equal to the excess, if any, of that portion of the total amount transferred to the Federal extended compensation account under subsection (b) which the Secretary of the Treasury (after advising and consulting with the Secretary of Labor) determines to be attributable to wages (as defined in the Federal Unemployment Tax Act) paid in such State, with respect to the calendar years 1961 and 1962, over the amounts used to make the payments of compensation in such State provided by section 3 of the Temporary Extended Unemployment Compensation Act of 1961.

It is anticipated that the determination of the Secretary of the Treasury will be based upon estimates of the wages attributable to each of the various States, but that in making such estimate there will be taken into account the amounts transferred to such account under subsection (b).

Subsection (c)(2) of new section 905 provides that if the balance in the Federal extended compensation account is not sufficient for

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the purpose of making the transfers provided for by paragraph (1), appropriations are authorized to be made for such purpose and such appropriations are to be treated as repayable advances in the manner provided in subsection (a) of new section 905.

(d) *Repayment.*—If as of December 31, 1963, amounts used within any State to make payments of compensation provided by section 3 of the Temporary Extended Unemployment Compensation Act of 1961 exceeds that portion of the total amount transferred to the Federal extended compensation account pursuant to subsection (b) which the Secretary of the Treasury (after advising and consulting with the Secretary of Labor) determines to be attributed to wages (as defined in the Federal Unemployment Tax Act) paid in such State during the calendar years 1961 and 1962, then the total credits allowed under section 3302(c) of the Federal Unemployment Tax Act to taxpayers with respect to wages attributable to such State for the tax year beginning January 1, 1964, and for each taxable year thereafter shall be reduced in the manner provided in section 3302(c)(2) of the Federal Unemployment Tax Act, unless or until the Secretary of the Treasury finds that before November 10 of the taxable year there have been collected by reason of the reduced credits amounts equal to the amounts so used.

If an advance or advances to a State under section 10 of the Temporary Extended Unemployment Compensation Act of 1961 remains unpaid on January 1, 1964, the total credits allowable to a taxpayer subject to the unemployment compensation tax law of such State shall be reduced (by 5 percent of 3 percent, or 0.15 percent, with respect to wages paid by such taxpayer during such taxable year which are attributable to such State) for such taxable year beginning January 1, 1964 unless, prior to November 10 of that taxable year, the aggregate amount of all such advances theretofore made to the account of such State has been fully repaid. The total credits otherwise allowable will be further reduced (by an additional 5 percent of 3 percent for each succeeding taxable year with respect to wages paid by such taxpayer during each such taxable year which are attributable to such State) in the case of any succeeding taxable year beginning with a consecutive January 1 on which a balance of an unrepaid advance or advances exists, unless prior to November 10 of that taxable year the aggregate amount of all such advances theretofore made to the State is fully repaid.

Subsection (d)(2) of new section 905 provides that all amounts credited to the employment security administration account by reason of the reduced credits provided by paragraph (1) shall be transferred to the Federal extended compensation account as of the beginning of the month succeeding month in which the moneys are credited to the employment security administration account. This subsection further provides that whenever the aggregate amount of additional taxes so transferred exceeds the sums of the amounts used within such State as described in paragraph (1), there shall be transferred to the account of such State in the unemployment trust fund an amount equal to such excess.

Subsection (d)(3) of new section 905 provides that if, after all advances of the general fund of the Treasury have been repaid and if after completion of all transfers provided in this section, there remains a balance in the Federal extended compensation account, such balance

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shall be transferred to the general fund of the Treasury and no further transfers to or from such account shall be made. It is understood that the only amounts which would remain in such account would represent interest which has been credited to such account as its share of the earnings of the unemployment trust fund.

SECTION 13. TEMPORARY INCREASE IN RATE OF TAX

(a) *Temporary increase.*—Section 3301 of the Internal Revenue Code of 1954, relating to the rate of the tax under the Federal Unemployment Tax Act, is amended by subsection (a) of section 14 of the bill to increase the excise tax imposed on each employer (as defined in sec. 3306(a) of such code) with respect to wages paid during the calendar years 1961 and 1962. The rate is temporarily increased from 3.1 percent of wages (as defined in sec. 3306(b) of such code) to 3.5 percent. After 1962 the rate will revert to 3.1 percent. (The rate of 3.1 percent was established by sec. 523 of the Social Security Amendments of 1960, effective with respect to wages paid after 1960.)

(b) *No change in credits.*—Subsection (b) of section 13 of the bill amends section 3302(d)(1) of the Internal Revenue Code of 1954 (relating to the limitation on credits allowable under sec. 3302 against the tax imposed by sec. 3301) to conform its provisions to the amendment made by subsection (a), and to make it clear that no change is made in the amount of such credits and limitation. In applying the provisions of section 3302(c) with respect to the calendar years 1961 and 1962, the tax imposed by section 3301 will be computed at the rate of 3 percent in lieu of 3.5 percent.

SECTION 14. ADMINISTRATIVE EXPENSES

Section 14 of the bill provides that for fiscal years ending June 30, 1961, and June 30, 1962, the ceiling on amounts which may be granted to the States for employment security administration purposes under section 901(C)(1)(A) of the Social Security Act shall be increased from \$350 to \$425 million.

VII. CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

INDIVIDUAL VIEWS OF SENATOR DOUGLAS AND SENATOR GORE

The amendments to section 13 of the bill adopted by the majority of the Committee on Finance would nullify the attempt of the administration to deal promptly and effectively with our nationwide problem of unemployment on a nationwide basis; it would nullify the administration's attempt to aid economic recovery by bolstering purchasing power in States where workers are without funds due to the exhaustion of their unemployment benefit rights; and, finally, it would provide no incentive for States to participate in this program.

The amendments ignore the fact that the heavy unemployment which the country is experiencing at the present time is national in its causes. The fact is that the severe unemployment being experienced in the States with heavy industry is caused by a decline in production. This has occurred because of a decrease in the market for the goods produced in these States. This decrease in demand has occurred on a nationwide basis. Unemployment is heavy in these industrial States because the market for their automobiles, steel, and rubber has declined in other parts of the country. It is not the fault of the people or employers of Michigan that the demand for automobiles has fallen off. Nor is it the fault of the workers and employers of Pennsylvania that the steel industry is in trouble and unemployment is high in Pittsburgh. The causes of cyclical unemployment are national and hence the burden of caring for those thus thrown out of work should be national and should not be thrown back upon the industries and States which are already suffering from causes beyond their control.

Under these circumstances, the market for the shirts and overalls made in Arkansas, Mississippi, and North Carolina, for example, has declined in Illinois, New York, and Pennsylvania. And the market for farm products grown in other States cannot be sustained in the States with heavy industry where our unemployment situation is most serious.

It was to deal with this nationwide problem on a nationwide basis that the bill, as adopted by the House of Representatives, provided for financing of the program on a nationwide basis. The kind of unemployment we are experiencing today should not be financed on an individual State basis, for neither its causes or effects are confined within State boundaries.

The committee amendments do not meet this situation. In fact they do exactly the opposite. They nullify the intent of the entire measure by placing the financing of the program on an individual State basis, thereby completely destroying the objective of the approach embodied in the bill as passed by the other House, and completely ignore the national character of this problem.

Under the amendment, in a State where the moneys raised by the additional temporary 0.4 percent tax are not enough to cover the costs of the benefits paid out under the bill, an additional tax would

be imposed upon the State's employers, beginning with 1964. This would be done through a reduction in the offset against the Federal tax. This reduction would raise the funds necessary to make up the excess of the extended benefit expenditures in that State over the tax receipts from employers in that State. On the other hand, in States where the receipts under the 0.4 percent temporary tax are in excess of the benefits, if any, paid out under this bill, the excess of receipts over benefits would be returned to the State by transfer to the State's account in the unemployment trust fund. In a sense, this amendment, which destroys the basic purpose of the bill under the guise of a mere change in financing would restore the situation which prevailed under the 1958 TUC program. Under that program, one will recall, only 17 States participated, leaving nearly one-third of all insured workers outside its protection. Incidentally, the costs of that program have not been repaid by any State.

The committee's amendment, if accepted by the Senate, would leave no incentive for States to participate in this new program. If a State, such as Illinois or Vermont, which already provides supplemental unemployment benefits in recession periods, does not participate in the program, its workers will be at no disadvantage, for they will receive the supplemental benefits provided by State law in any event. The State fund will be reimbursed from the portion of the receipts under the increased tax imposed by the bill on its employers, thereby removing the incentive for the State to participate. In States, however, without extended benefit provisions, the employers stand to gain by nonparticipation in the program, since the additional revenue produced by the tax will add to State reserves and enable them to obtain reduced contribution rates, under the experience rating provisions of the State law. In fact, since the possibility of rate reductions will be enhanced if the State does not participate, the possibility of such rate reductions further discourages State participation. One may well ask, why, in the name of reason, we should impose a new Federal tax on employers throughout the country presumably to meet the needs of our workers and the needs of our economy in a recession period, and not see to it that such funds are used for this purpose.

A State which does not participate in the program will receive the full receipts of the additional Federal tax without having lifted a finger to meet effectively the needs of its workers and of the State's economy by lengthening the period of protection against unemployment through amendment of its law. If a State wishes to enact an extended benefits program for the current recession, it will derive no advantage from participating in this program.

The bill, as a consequence of the committee amendments, cannot provide the needed purchasing power to unemployed workers to aid in supporting the market which is a necessary aid to recovery from the recession. If there should be a pickup in production during the spring, even if it is only of a seasonal character, only the full participation of all States under the program, as adopted by the House of Representatives, would provide the funds necessary effectively to aid in supporting business activity. Without an effective program of supplemental unemployment benefits, the recovery may be as anemic and as short-lived as occurred after the 1958 recession. It is difficult to understand how anyone genuinely interested in using the power of

Government to support the economy and to alleviate the distress of millions of workers involuntarily unemployed should be satisfied with so weak and anemic a measure as results from the committee amendment.

The need for the program, as submitted by the administration and as passed by the House of Representatives, is greater today than it was last month when the House acted. We have been told that there are signs on the horizon of a possible upturn in business conditions in the spring. If these signs are true, and there is almost no objective evidence on which such a forecast can now be based, they do not reduce the urgent need of the country for this legislation as adopted by the House.

The level of unemployment, as recently announced by the Department of Labor, is at the highest since the end of World War II. Millions of workers are without the means to feed, shelter, or clothe their families. We have doubled the amount of foods distributed to families in distress through the surplus foods distribution program. Nearly 200,000 workers per month are exhausting their unemployment benefit rights. This figure will not decline in the next few months since past experience shows clearly that recovery in employment follows slowly after recovery in production. Unless the Senate rejects the committee amendment, so as to provide an incentive for all States to participate and to participate fully, the bill will be but a piece of halfhearted inadequacy.

We urge the Senate to reject the committee amendments and to adopt an effective antirecession measure.

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