

EXTENSION OF PERIOD DURING WHICH CERTAIN EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT FUNDS MAY BE USED FOR CERTAIN STATE EXPENSES

JULY 18, 1968.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 272]

The Committee on Finance, to which was referred the bill (H.R. 272) to extend the period during which amounts transferred from the employment security administration account in the unemployment trust fund to State accounts may be used by the States for payment of expenses of administration, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of H.R. 272 is to extend for an additional 5 years the period during which States may obligate, for administrative purposes, certain funds transferred from excess Federal unemployment tax collections.

GENERAL STATEMENT

Prior to 1954, one-tenth of the 3-percent Federal unemployment tax, or 0.3 percent (called the net Federal tax), was intended to pay the cost of Federal and State administration of the unemployment insurance and employment service programs. However, the net Federal tax was not earmarked for this purpose and, since the revenues had been exceeding administrative costs by about \$65 million annually, the excess merely served to increase the general funds of the Treasury.

The Employment Security Administrative Financing Act, signed into law August 5, 1954, earmarked revenues from the net Federal tax for the employment security system, with this order of priority

for their use: (1) funds would first be used for current Federal and State administrative expenses; (2) additional funds, if any, would be placed in a special loan account (until the account reached \$200 million) from which States could get advances when the cost of benefits became particularly heavy; (3) any remaining funds would be credited to State accounts in the unemployment trust fund either for benefits or (with the specific approval of the State legislature) for additional administrative purposes. If a State wished to use the excess funds for administrative purposes, Federal law required them to use the funds within 5 years of their transfer.

During the next few years, revenues continued to exceed administrative expenses as in the years preceding the 1954 act. In those years, no State needed to use the loan fund, which quickly reached the \$200 million limitation. In 1956, 1957, and 1958, a total of \$138 million was credited to State unemployment trust fund accounts. (See table 1 for amounts credited for each State.)

But in 1959, three States received advances from the loan fund. Since the excess of revenues over receipts had to be used to replenish the loan fund, no additional funds were transferred to the State accounts.

Amendments in 1960 substantially raised the limitation on the size of the loan fund. Once the limitation was reached, excess funds were to be earmarked for a new Employment Security Administration account. Only when this new account reached its \$250 million statutory limitation would excess funds be available for transfer to the State unemployment trust fund accounts.

Since 1960, excess revenues have not been sufficient to fully fund the loan fund; no funds have been placed in the Employment Security Administration account. Thus the \$138 million transferred in 1956-58 represents the only funds transferred thus far to State accounts.

These transferred funds have been used by the States primarily to buy the necessary land and construct buildings for use in the employment security program. Thirty-six States have obligated funds transferred to their State accounts, 35 of them for land and buildings (other States are listed in table 2). Since the funds spent for building construction can be repaid over time from the annual administrative grants for rent, the funds may gradually be replenished for further use—but only within the period limited by law.

In 1963, when the initial 5-year period for the use of these funds was due to expire, the period was extended for an additional 5 years. This bill would extend the period an additional 5 years, permitting use of the transferred funds for administrative purposes up to 15 years after their transfer.

The administration has indicated that it supports the bill.

TABLE 1.—AMOUNTS CREDITED TO STATE UNEMPLOYMENT TRUST FUND ACCOUNTS AS TAX EXCESSES

	July 1, 1956	July 1, 1957	July 1, 1958	Total
Total.....	\$33,376,030.98	\$71,195,220.32	\$33,453,482.08	\$138,024,733.38
Alabama.....	363,917.03	845,564.36	401,051.58	1,610,532.97
Alaska.....	43,344.78	97,760.37	45,660.23	186,765.38
Arizona.....	151,031.60	335,743.12	171,030.31	657,805.03
Arkansas.....	176,351.63	371,989.91	173,730.69	722,072.23
California.....	3,206,479.17	6,860,286.95	3,284,316.32	13,351,082.44
Colorado.....	230,101.98	538,035.84	262,318.81	1,030,456.63
Connecticut.....	657,714.45	1,395,810.35	654,942.63	2,708,467.43
Delaware.....	119,561.65	272,445.98	117,992.60	510,000.23
District of Columbia.....	186,092.48	383,070.63	176,890.38	746,053.49
Florida.....	490,993.50	1,231,825.25	640,119.90	2,362,938.65
Georgia.....	503,928.55	1,134,062.90	534,237.31	2,172,228.76
Hawaii.....	81,925.36	168,969.78	82,714.65	333,609.69
Idaho.....	87,633.81	186,417.19	86,837.89	360,888.89
Illinois.....	2,386,449.29	5,075,821.98	2,359,421.57	9,821,692.84
Indiana.....	974,221.47	2,077,087.16	952,285.23	4,003,593.86
Iowa.....	332,160.94	734,101.40	340,180.09	1,406,442.43
Kansas.....	289,964.37	625,072.89	292,266.95	1,206,404.21
Kentucky.....	369,689.77	769,370.32	360,825.76	1,499,885.85
Louisiana.....	426,159.44	924,624.83	458,902.82	1,809,687.09
Maine.....	152,664.44	335,984.50	153,400.33	642,049.27
Maryland.....	555,412.60	1,173,767.00	551,066.13	2,280,245.73
Massachusetts.....	1,256,930.65	2,598,142.41	1,203,537.37	5,058,610.43
Michigan.....	1,847,064.47	3,757,600.36	1,702,450.18	7,307,115.01
Minnesota.....	532,944.94	1,140,546.46	538,699.47	2,212,223.87
Mississippi.....	153,861.19	358,283.10	171,758.95	683,903.24
Missouri.....	768,936.87	1,656,772.09	775,403.45	3,201,112.41
Montana.....	99,893.57	210,684.17	93,696.36	404,274.10
Nebraska.....	162,275.28	355,356.02	163,062.33	680,693.63
Nevada.....	75,686.76	144,531.48	69,767.49	289,985.73
New Hampshire.....	118,140.80	240,974.69	112,437.32	471,552.81
New Jersey.....	1,380,440.15	2,860,839.58	1,337,607.03	5,578,886.76
New Mexico.....	109,565.85	237,532.61	120,006.51	467,104.97
New York.....	4,244,089.48	8,933,098.68	4,263,234.46	17,430,422.62
North Carolina.....	595,802.33	1,332,344.72	617,333.45	2,545,480.50
North Dakota.....	43,740.87	104,901.02	51,053.47	199,695.36
Ohio.....	2,340,669.22	4,794,870.34	2,208,984.35	9,344,523.91
Oklahoma.....	291,234.71	643,050.89	296,767.44	1,231,053.04
Oregon.....	321,589.94	771,219.51	342,904.00	1,435,713.45
Pennsylvania.....	2,675,381.81	5,489,496.77	2,543,761.15	10,708,639.73
Rhode Island.....	193,763.19	446,436.89	201,454.35	841,654.43
South Carolina.....	285,873.33	601,349.74	291,845.83	1,179,068.90
South Dakota.....	47,633.91	109,748.27	51,204.09	208,586.27
Tennessee.....	466,434.87	1,031,220.54	479,538.65	1,977,194.06
Texas.....	1,295,317.76	2,945,240.12	1,412,652.33	5,653,210.21
Utah.....	132,358.82	280,701.42	134,347.77	547,408.01
Vermont.....	54,600.20	124,104.55	56,952.67	235,657.42
Virginia.....	477,481.60	1,073,517.81	515,956.27	2,066,955.68
Washington.....	545,202.10	1,110,595.11	531,694.55	2,187,491.76
West Virginia.....	300,254.71	668,583.87	321,000.85	1,289,839.43
Wisconsin.....	722,623.22	1,529,533.68	704,670.84	2,956,827.74
Wyoming.....	51,307.67	106,130.78	49,507.02	206,945.40

Source: Department of Labor, Bureau of Employment Security.

TABLE 2.—STATES WHICH HAVE NOT USED TAX EXCESS FUNDS FOR BUILDINGS AS OF JUNE 30, 1968

Colorado	Nevada	Rhode Island
Delaware	New Hampshire	South Dakota
District of Columbia †	North Carolina	West Virginia
Illinois	North Dakota	Wyoming
Kentucky	Oklahoma	
Michigan	Pennsylvania	

† The District of Columbia has spent funds for purposes other than construction.

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*):

SECTION 903(c)(2) OF THE SOCIAL SECURITY ACT

AMOUNTS TRANSFERRED TO STATE ACCOUNTS

In General

SEC. 903. (a)(1) * * *

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Use of Transferred Amounts

(c)(1) Except as provided in paragraph (2), amounts transferred to the account of a State pursuant to subsections (a) and (b) shall 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 obligation 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 obligated during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts transferred to the account of such State pursuant to subsections (a) and (b) during such fiscal year and the **[nine]** *fourteen* preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this subsection and charged against the amounts transferred to the account of such State during such **[ten]** *fifteen* 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 transferred and which have not previously been so charged; except that no amount obligated for administration during any fiscal year may be charged against any amount transferred during a fiscal year earlier than the **[ninth]** *fourteenth* preceding fiscal year.

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