

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

DECEMBER 3 (legislative day, NOVEMBER 29), 1971.—Ordered to be printed

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

REPORT

[To accompany H.R. 6065]

The Committee on Finance, to which was referred the bill (H.R. 6065) to amend section 903(c)(2) of the Social Security Act, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of H.R. 6065 is to extend for an additional 10 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 (known as the Reed 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. (Table 1 shows amounts credited for each State.)

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.

The \$138 million transferred in 1956, 1957, and 1958 represents the only funds transferred thus far to State accounts; because of demands on the loan fund since 1958 and changes in the law since that time, no additional transfers are anticipated in the foreseeable future. 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-eight States have obligated funds transferred to their State accounts for land and buildings, and one State (Alaska) has also spent funds for benefits. (Table 2 shows the States that have not used transferred funds for land and buildings; table 3 shows the current status of transferred funds.)

Each year the Congress has appropriated funds for State administration of the unemployment compensation program; these grants have included amounts to cover the cost of rent. Those portions of the \$138 million transferred to the States which have been spent for land and buildings may be replenished over time out of these annual Federal administrative grants for rent, and the replenished funds may then be used again for land and buildings—but only within the period specified in the law. That period has been extended twice, and is now due to expire in 1973; H. R. 6065 would extend the period for 10 years until 1983.

COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the effect on the revenues of this bill.

No additional Federal expenditures would be incurred as a result of enactment of the bill.

VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, as amended, the following statement is made relative to the vote by the committee on reporting the bill.

The committee ordered the bill favorably reported by voice vote.

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

	July 1, 1956	Amounts credited, 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.....	230,101.38	538,035.84	262,318.81	1,030,456.03
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	82,714.55	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.....	289,064.37	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.....	532,977.94	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	120,066.51	467,104.97
New York.....	4,244,689.48	8,933,098.68	4,253,234.46	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	2,268,984.35	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
Puerto Rico.....				
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
Virgin Islands.....				
Washington.....	545,202.10	1,110,595.11	531,694.55	2,187,491.76
West Virginia.....	300,254.71	658,583.87	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	106,130.71	49,507.02	206,945.40

Source: Department of Labor, Bureau of Employment Security

TABLE 2.—States which have not used transferred funds for buildings as of August 31, 1971

Colorado	Oklahoma
Delaware	Pennsylvania
Illinois	Rhode Island
Kentucky	South Dakota
Michigan	West Virginia
New Hampshire	Wyoming
North Carolina	

Source: Department of Labor, Bureau of Employment Security.

TABLE 3.—STATUS OF TRANSFERRED CREDITS AS OF AUG. 1, 1971

	Credits	Reimbursements	Total credits and reimbursements	Total funds obligated	Funds available for future obligation
Total	\$138,024,733	\$46,628,161	\$184,652,894	\$114,712,390	\$69,940,504
Alabama	1,610,533	788,140	2,398,673	1,891,903	506,770
Alaska	186,765	2,683	189,448	183,872	5,576
Arizona	657,805	518,357	1,176,162	1,110,474	65,688
Arkansas	722,072	433,606	1,155,678	933,982	221,696
California	13,351,082	2,816,928	16,168,010	11,520,539	4,647,471
Colorado	1,030,456		1,030,456		1,030,456
Connecticut	2,708,467	1,738,145	4,446,612	2,700,000	1,746,612
Delaware	510,000		510,000		510,000
District of Columbia	746,053		746,053	85,168	660,885
Florida	2,362,939	1,332,196	3,695,135	2,810,358	884,777
Georgia	2,172,229	973,005	3,145,234	2,896,899	248,335
Guam					
Hawaii	333,610	159,778	493,388	390,067	103,321
Idaho	360,889	348,644	709,533	638,064	71,469
Illinois	9,821,693		9,821,693		9,821,693
Indiana	4,003,494	2,078,017	6,081,641	4,856,923	1,224,718
Iowa	1,406,442	745,842	2,152,284	2,048,021	104,263
Kansas	1,206,494	933,699	2,140,193	1,840,350	299,753
Kentucky	1,499,886		1,499,886		1,499,886
Louisiana	1,890,687	1,198,301	3,089,988	2,445,838	562,150
Maine	612,049	369,297	1,031,346	614,930	416,416
Maryland	2,780,246	408,877	3,289,123	1,091,123	1,598,000
Massachusetts	5,058,610	414,498	5,473,108	599,884	4,873,224
Michigan	7,307,115		7,307,115		7,307,115
Minnesota	2,212,224	738,507	2,950,731	2,087,671	863,060
Mississippi	633,903	761,391	1,445,294	1,445,244	
Missouri	3,201,112	3,818,619	7,019,731	6,313,770	705,961
Montana	404,274	264,072	668,352	431,090	237,352
Nebraska	680,694	556,493	1,237,187	880,451	356,736
Nevada	259,986	80,440	370,426	87,819	282,607
New Hampshire	471,553		471,553		471,553
New Jersey	5,578,887		5,578,887	5,578,827	
New Mexico	467,105	271,935	739,040	697,953	41,087
New York	17,430,423	8,440,439	25,870,862	23,042,398	2,738,464
North Carolina	2,545,481		2,545,481		2,545,481
North Dakota	199,695		199,695	168,742	30,952
Ohio	9,344,524	5,035,710	14,380,234	10,663,113	3,717,121
Oklahoma	1,231,053		1,231,053		1,231,053
Oregon	1,425,713	556,300	1,982,013	1,100,674	881,339
Pennsylvania	10,708,640		10,708,640		10,708,640
Puerto Rico					
Rhode Island	841,655		841,655		841,655
South Carolina	1,179,069	565,822	1,744,891	1,558,533	186,358
South Dakota	208,586		208,586		208,586
Tennessee	1,977,194	1,305,641	3,282,235	2,545,251	737,004
Texas	5,653,210	4,691,557	10,344,767	8,764,165	1,580,602
Utah	517,408	180,150	727,558	667,180	60,378
Vermont	235,657		235,657	235,657	
Virginia	2,066,956	1,669,544	3,736,500	3,736,500	
Virgin Islands					
Washington	2,187,492	998,308	3,185,800	2,187,492	998,308
West Virginia	1,289,840		1,289,840		1,289,840
Wisconsin	2,956,823	1,413,784	4,370,612	3,821,464	549,148
Wyoming	206,945		206,945		206,945

Source: Department of Labor, Bureau of Employment Security

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 italic, existing law in which no change is proposed is shown in roman):

SECTION 903 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 **fourteen** *twenty-four* 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 **fifteen** *twenty-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 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 **fourteenth** *twenty-fourth* preceding fiscal year.

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