

105TH CONGRESS
2D SESSION

H. R. 3697

To enhance the Federal-State Extended Benefit program, to provide incentives to States to implement procedures that will expand eligibility for unemployment compensation, to strengthen administrative financing of the unemployment compensation program, to improve the solvency of State accounts in the Unemployment Trust Fund, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 1998

Mr. LEVIN (for himself, Mr. ENGLISH of Pennsylvania, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To enhance the Federal-State Extended Benefit program, to provide incentives to States to implement procedures that will expand eligibility for unemployment compensation, to strengthen administrative financing of the unemployment compensation program, to improve the solvency of State accounts in the Unemployment Trust Fund, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Unemployment Com-
3 pensation Amendment of 1998”.

4 **SEC. 2. AMENDMENTS TO EXTENDED BENEFIT PROGRAM.**

5 (a) REPEAL OF CERTAIN STATE LAW REQUIRE-
6 MENTS.—

7 (1) Section 202(a) of the Federal-State Ex-
8 tended Unemployment Compensation Act of 1970
9 (26 U.S.C. 3304 note) is amended by striking para-
10 graphs (3), (4), (5), (6), and (7).

11 (2) Subsection (c) of section 202 of such Act is
12 repealed.

13 (b) ESTABLISHMENT OF MANDATORY TRIGGERS
14 BASED ON TOTAL UNEMPLOYMENT.—

15 (1) Section 203(d) of such Act is amended to
16 read as follows:

17 “(d) For purposes of this section—

18 “(1) There is a State ‘on’ indicator for a week
19 if—

20 “(A)(i) the average rate of total unemploy-
21 ment in such State (seasonally adjusted) for the
22 period consisting of the most recent three
23 months for which data for all States are pub-
24 lished before the close of the week equals or ex-
25 ceeds 7.5 percent, and

1 “(ii) the average rate of total unemploy-
2 ment in such State (seasonally adjusted) for the
3 3-month period referred to in clause (i) equals
4 or exceeds (110 percent of such average for ei-
5 ther (or both) of the corresponding 3-month pe-
6 riods ending in the two preceding calendar
7 years; or

8 “(B) the average rate of total unemploy-
9 ment for such State (seasonally adjusted) for
10 the period consisting of the most recent 3
11 months for which data for all States are pub-
12 lished before the close of the week equals or ex-
13 ceeds 10 percent.

14 “(2) There is a State ‘off’ indicator for a week
15 unless the requirements of subparagraphs (A) or (B)
16 of paragraph (1) are satisfied.”.

17 (2) Section 203(e) of such Act is amended—

18 (A) by amending the heading to read “DE-
19 TERMINATION OF RATES OF TOTAL UNEM-
20 PLOYMENT AND INSURED UNEMPLOYMENT”,
21 and

22 (B) in paragraph (1) by—

23 (i) striking “subsection (d)” and in-
24 serting “subsection (f)(2)”,

- 1 (ii) redesignating subparagraphs (A)
2 and (B) as clauses (i) and (ii), and
3 (iii) redesignating paragraph (1) as
4 paragraph (2)(B);
5 (C) in paragraph (2) by—
6 (i) by striking “subsection (d)” and
7 inserting “subsection (f)(2)”, and
8 (ii) by redesignating paragraph (2) as
9 paragraph (2)(C); and
10 (D) by inserting the following new para-
11 graphs (1) and (2)(A):

12 “(1) For purposes of this Act, determinations
13 of the rate of total unemployment in any State for
14 any period (and of any seasonal adjustments) shall
15 be made by the Secretary.

16 “(2)(A) For purposes of subsection (f)(2), the
17 rate of insured unemployment for any thirteen-week
18 period shall be determined by reference to the aver-
19 age monthly covered employment under the State
20 law for the first four of the most recent six calendar
21 quarters.”.

22 (c) REQUIREMENTS FOR SUPPLEMENTAL BENEFITS
23 DURING HIGH UNEMPLOYMENT PERIODS.—Section
24 202(b)(3)(B) of such Act is amended to read as follows:

1 “(B) For purposes of subparagraph (A),
2 the term ‘high unemployment period’ means
3 any period during which an extended benefit pe-
4 riod would be in effect if—

5 “(i) section 203(d)(1)(A)(i) was ap-
6 plied by substituting ‘10 percent’ for ‘7.5
7 percent’;

8 “(ii) section 203(d)(1)(B) was applied
9 by substituting ‘12.5 percent’ for ‘10 per-
10 cent’; or

11 “(iii) in the event a State has enacted
12 the indicator specified in section 203(f)(1),
13 section 203(f)(1)(A)(i) was applied by sub-
14 stituting ‘8 percent’ for ‘6.5 percent’.

15 (d) AMENDMENTS TO ALTERNATIVE TRIGGER.—Sec-
16 tion 203(f) of such Act is amended—

17 (1) in paragraph (1), by striking “Effective
18 with respect to compensation for weeks of employ-
19 ment beginning after March 6, 1993, the” and in-
20 serting “In lieu of applying the indicator specified in
21 subsection (d)(1)(A), a”;

22 (2) by amending paragraph (2) to read as fol-
23 lows:

24 “(2) A State may by law provide for the pur-
25 pose of beginning or ending any extended period

1 under this section that, in addition to the indicators
2 specified in subsection (d) and paragraph (1) of this
3 subsection, there is a State ‘on’ indicator for a week
4 if the rate of insured unemployment under State law
5 for the period consisting of such week and the imme-
6 diately preceding twelve weeks equals or exceeds 6
7 percent.”.

8 **SEC. 3. MODIFICATION IN FEDERAL UNEMPLOYMENT**
9 **ACCOUNT CEILING.**

10 Section 902(a)(2) of the Social Security Act (42
11 U.S.C. 1102(a)(2)) is amended by inserting “except that
12 for the close of fiscal year 1998 the amount shall be equal
13 to the amount certified for the close of fiscal year 1997”
14 before the period.

15 **SEC. 4. SPECIAL DISTRIBUTIONS TO THE STATES.**

16 (a) IN GENERAL.—Section 903(a)(3) of the Social
17 Security Act (42 U.S.C. 1103(a)(3)) is amended—

18 (1) in subparagraph (A)—

19 (A) by inserting “1998,” before “1999”,
20 and

21 (B) by amending clauses (i) and (ii) to
22 read as follows:

23 “(i) be subject to subparagraphs (B)
24 and (C) to the extent such amounts are
25 not in excess of the sum of—

1 “(I) \$20,000,000 (except that
2 this subclause shall not be applicable
3 to the close of fiscal year 2001), plus

4 “(II) the amount determined by
5 the Secretary of Labor to be the dif-
6 ference between the amount necessary
7 for the proper and efficient adminis-
8 tration of the unemployment com-
9 pensation program for the succeeding
10 fiscal year (taking into account work-
11 load and other appropriate factors)
12 and—

13 “(aa) in the case of the close
14 of fiscal year 1998,
15 \$2,420,000,000;

16 “(bb) in the case of the close
17 of each of fiscal years 1999,
18 2000, and 2001, \$2,412,000,000;

19 “(ii) be subject to subparagraph (D)
20 to the extent such amounts are in excess of
21 the sum of subclauses (I) and (II) of
22 clause (i)”;

23 (2) in subparagraph (B) by striking “(A)((i)”
24 and inserting “(A)(i)(II)”;

1 (3) by redesignating subparagraphs (B) and
2 (C) as subparagraphs (C) and (D), respectively; and
3 (4) by inserting the following new subparagraph
4 (B):

5 “(B) The Secretary of Labor shall reserve
6 the amount specified in subparagraph (A)(i)(I)
7 (at the close of fiscal years 1998, 1999, and
8 2000) to award grants to the States in fiscal
9 years 1999, 2000, and 2001 to assist in the im-
10 plementation of alternative base periods for de-
11 termining the eligibility of claimants. Such al-
12 ternative base periods shall reduce the period of
13 time between the end of the base period for a
14 claimant and the filing of a claim for compensa-
15 tion. The amounts reserved pursuant to this
16 subparagraph shall be available to the Secretary
17 of Labor for obligation through fiscal year
18 2001.”.

19 (b) CONFORMING AMENDMENT.—Section 903(e)(2)
20 of the Social Security Act (42 U.S.C. 1103(e)(2)) is
21 amended in the last sentence by inserting “1999,” before
22 “2000”.

1 **SEC. 5. SOLVENCY REQUIREMENTS.**

2 (a) SOLVENCY TARGET.—Section 903(b) of the So-
3 cial Security Act (42 U.S.C. 1103(b)) is amended by add-
4 ing the following new paragraph:

5 “(3)(A) If the Secretary of Labor finds that on
6 December 31, 2001, a State has not achieved, or
7 made substantial progress toward achieving, the sol-
8 vency target established pursuant to subparagraph
9 (B), then the amount available under this section for
10 transfer to such State account for the succeeding fis-
11 cal year shall, in lieu of being so transferred, be
12 transferred to the States meeting the requirements
13 of this subsection. The transfers shall be made to
14 such States based on the share of funds of each such
15 State under subsection (a)(2), except that for pur-
16 poses of this subparagraph the ratio under sub-
17 section (a)(2) shall be adjusted by excluding the
18 wages attributable to the States failing to meet the
19 requirements of this subparagraph.

20 “(B)(i) For December 31, 2001, the solvency
21 target shall be an average high cost multiple of 1.0.
22 For purposes of this subparagraph, the average high
23 cost multiple represents the number of years a State
24 could pay unemployment compensation (based on
25 the reserve ratio of such State) if the State paid
26 such compensation at a rate equivalent to the aver-

1 age benefit cost rate such State paid in the three
2 calendar years during the preceding 20 calendar
3 years (or, if longer, during the period consisting of
4 the preceding three recessions as determined by the
5 National Bureau of Economic Research) that the
6 benefit cost rates were the highest. For purposes of
7 making this determination—

8 “(I) the term ‘reserve ratio’ means the
9 ratio determined by dividing the balance in the
10 State account at the end of the calendar year
11 by the total covered wages in the State for such
12 year;

13 “(II) the term ‘benefit cost rate’ means the
14 rate determined by dividing the unemployment
15 compensation paid during a calendar year by
16 the total covered wages in the State for such
17 year; and

18 “(III) the ratio and rates determined
19 under subclauses (I) and (II) shall exclude the
20 wages and unemployment compensation paid by
21 employers covered under section 3309 of the In-
22 ternal Revenue Code of 1986.

23 “(ii) For December 31, 2001, substantial
24 progress towards achieving the solvency target shall
25 mean that a State has reduced any difference be-

1 tween 1.0 and the average high cost multiple of such
2 State (if such multiple is less than 1.0) that the Sec-
3 retary found to exist on December 31, 1998, by an
4 amount equal to or exceeding 5 percent of such dif-
5 ference.

6 “(iii) The Secretary may adjust the solvency
7 target specified in clause (i), or the criteria for de-
8 termining whether there is substantial progress to-
9 wards achieving the solvency target specified in
10 clause (ii), for States that experience significant in-
11 creases in unemployment during the period between
12 December 31, 1998 and December 31, 2001. The
13 Secretary shall establish objective criteria for mak-
14 ing such adjustments.

15 “(iv) A State shall include, as part of the an-
16 nual State plan relating to the administration of
17 grants under this title, such information as the Sec-
18 retary may request relating to the manner in which
19 the State intends to achieve the solvency target es-
20 tablished pursuant to this paragraph.”.

21 (b) DISTRIBUTION TO THE STATES FOR FISCAL
22 YEAR 2003.—Section 903(a) of the Social Security Act (42
23 U.S.C. 1103(a)) is amended by adding the following para-
24 graph:

1 “(4) Notwithstanding any other provisions of
2 this section, with respect to any excess amount (re-
3 ferred to in paragraph (1)) remaining in the employ-
4 ment security administration account as of the close
5 of fiscal year 2002, such amount shall—

6 “(A) to the extent of any amount not in
7 excess of \$2,600,000,000 be subject to para-
8 graphs (1) and (2), and

9 “(B) to the extent of any amount in excess
10 of \$2,600,000,000 be retained in the employ-
11 ment security administration account.”.

12 **SEC. 6. EXTENSION OF SELF-EMPLOYMENT ASSISTANCE.**

13 Paragraph (2) of section 507(e) of the North Amer-
14 ican Free Trade Agreement Implementation Act (26
15 U.S.C. 3306 note) is amended by striking “5 years after
16 the date of enactment of this Act” and inserting “on De-
17 cember 8, 2008”.

18 **SEC. 7. TREATMENT OF SHORT-TIME COMPENSATION PRO-**
19 **GRAMS.**

20 (a) **GENERAL RULE.**—Section 3306 of the Internal
21 Revenue Code of 1986 (26 U.S.C. 3306) is amended by
22 adding at the end thereof the following new subsection:

23 “(u) **SHORT-TIME COMPENSATION PROGRAM.**—For
24 purposes of this chapter, the term ‘short-time compensa-
25 tion program’ means a program under which—

1 “(1) the participation of an employer is vol-
2 untary;

3 “(2) an employer reduces the number of hours
4 worked by employees in lieu of temporary layoffs;

5 “(3) such employees whose workweeks have
6 been reduced by at least 10 percent are eligible for
7 unemployment compensation;

8 “(4) the amount of unemployment compensa-
9 tion payable to any such employee is a pro rata por-
10 tion of the unemployment compensation which would
11 be payable to the employee if such employee were to-
12 tally unemployed;

13 “(5) such employees are not required to meet
14 the availability for work or work search test require-
15 ments while collecting short-time compensation bene-
16 fits, but are required to be available for their normal
17 workweek;

18 “(6) eligible employees may participate in an
19 employer-sponsored training program to enhance job
20 skills if such program has been approved by the
21 State agency;

22 “(7) the State agency may require an employer
23 to continue to provide health benefits, and retire-
24 ment benefits under a defined benefit pension plan
25 (as defined in section 414(j)) to any employee whose

1 workweek is reduced pursuant to the program as
2 though the workweek of such employee had not been
3 reduced;

4 “(8) the State agency may require an employ-
5 ers’ (or an employer’s association which is party to
6 a collective bargaining agreement) to submit a writ-
7 ten plan describing the manner in which the require-
8 ments of this subsection will be implemented and
9 containing such other information as the Secretary
10 of Labor determines is appropriate; and

11 “(9) the program meets such other require-
12 ments as the Secretary of Labor determines are ap-
13 propriate.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subparagraph (E) of section 3304(a)(4) of
16 such Code (26 U.S.C. 3304(a)(4)(E)) is amended to
17 read as follows:

18 “(E) amounts may be withdrawn for the
19 payment of short-time compensation under a
20 short-time compensation program (as defined
21 under section 3306(u));”.

22 (2) Paragraph (4) of section 3306(f) of such
23 Code (26 U.S.C. 3306(f)(4)) is amended to read as
24 follows:

1 “(4) amounts may be withdrawn for the pay-
2 ment of short-time compensation under a short-time
3 compensation program (as defined under subsection
4 (u));”.

5 (3) Section 303(a)(5) of the Social Security Act
6 (42 U.S.C. 503(a)(5)) is amended by striking “the
7 payment of short-time compensation under a plan
8 approved by the Secretary of Labor” and inserting
9 “the payment of short-time compensation under a
10 short-time compensation program (as defined in sec-
11 tion 3306(u) of the Internal Revenue Code of
12 1986).”.

13 **SEC. 8. EFFECTIVE DATE.**

14 (a) IN GENERAL.—Except as provided in subsection
15 (b), the provisions of this Act shall take effect on the date
16 of enactment.

17 (b) EXTENDED BENEFIT AMENDMENTS.—

18 (1) Except as provided in paragraph (2), the
19 provisions of section 2 of this Act shall take effect
20 for the weeks beginning after the date that is two
21 years after the date of enactment of this Act.

22 (2) Pursuant to the enactment of appropriate
23 provisions of the State law the provisions of section
24 2 may take effect for weeks which begin earlier than

1 the weeks specified in paragraph (1), but not earlier
2 than 60 days after the enactment of this Act.

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