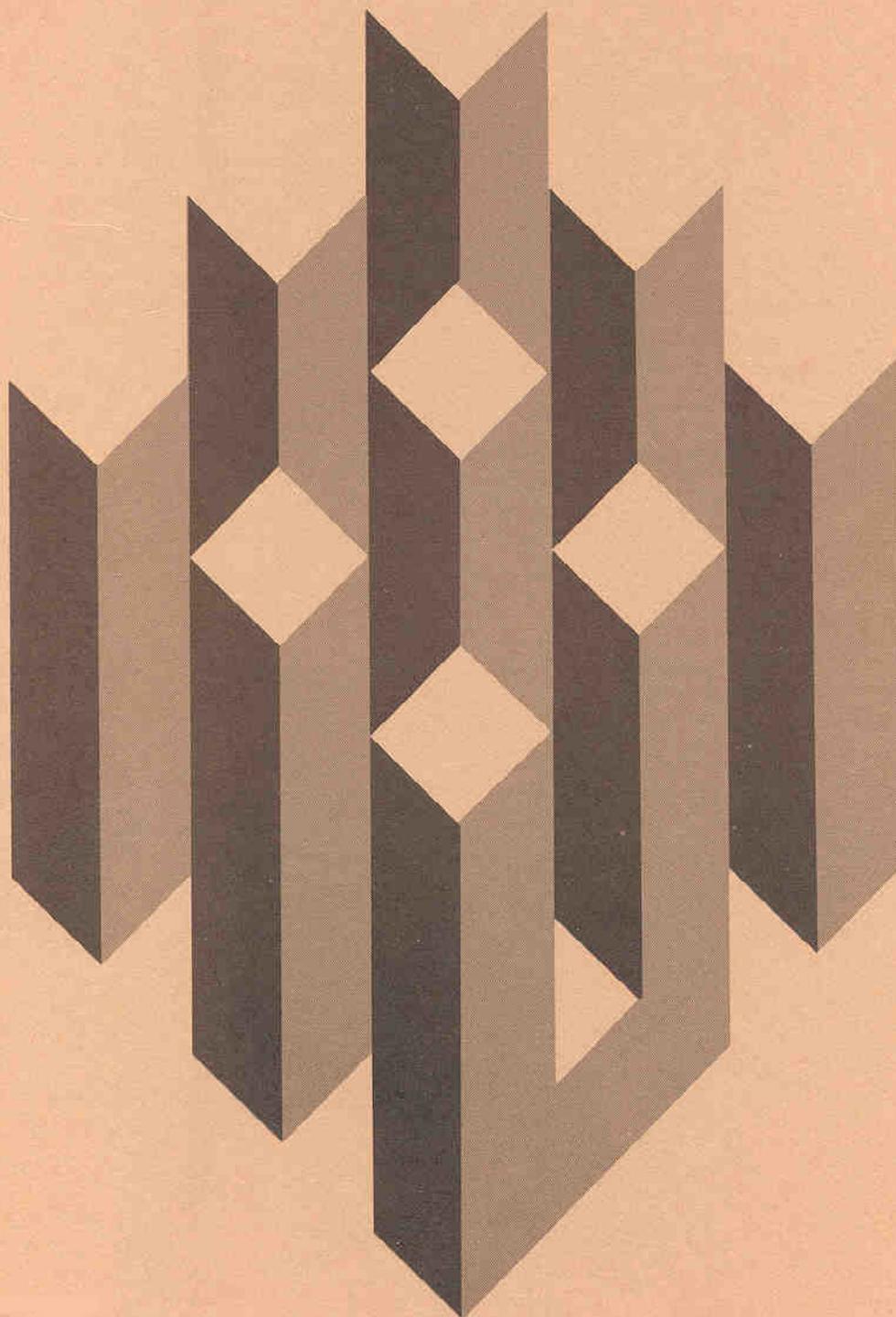


Fifty Years of Unemployment Insurance — A Legislative History: 1935-1985



Unemployment Insurance
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U.S. Department of Labor
Employment and Training Administration



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Unemployment Insurance Service
Occasional Paper 86-5

U.S. DEPARTMENT OF LABOR
William E. Brock, Secretary

Employment and Training Administration
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for Employment and Training

Unemployment Insurance Service
1986

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JAMES M. ROSBROW

FIFTY YEARS OF UNEMPLOYMENT COMPENSATION--
A Legislative History

INTRODUCTION

Benefit payments under the Federal-State Unemployment Compensation Program, enacted as part of the Social Security Act on August 14, 1935, expanded from occasion to occasion by Federal-State and Federal extended benefits and by a group of special purpose programs, have reached an overall total in excess of \$250,000,000,000--a quarter of a trillion dollars! Given the general conclusion that UC benefits are, spent largely for consumption for the necessities of life, a GNP multiplier in a ratio of 4 to 1 for each dollar of benefits, this would represent a trillion dollars in community purchasing power since benefit payments became nationwide, in 1938 and 1939.

BACKGROUND

When unemployment insurance was being considered as part of the Social Security Act in 1934 and 1935, the number of unemployed workers in the United States was estimated at 11 to 15 million. State relief programs had broken down and were supplemented by one federal program after another. The Presidentially appointed Committee on Economic Security and the Congressional committees considering the legislation faced the problem of devising an unemployment insurance program that would fit into the Federal-State political system. Supporters of a workmen's compensation approach took the states' rights viewpoint, advocating a "state laboratory" system for experimenting "close to the grass roots." Besides, it was feared that a Federal system would be declared unconstitutional because of possible encroachment on states' rights.

In enacting the unemployment insurance provisions of the Social Security Act in 1935, Congress recognized both national and state concern over unemployment and measures to alleviate it. Since any unemployment affects the whole nation as well as the State where it occurs, Federal government action was considered as part of its responsibility for the general welfare. But Congress also considered it feasible and desirable for the States to administer unemployment insurance programs to meet local needs.

The planning of this legislation was influenced by many preceding programs--those in other countries, voluntary plans in this country, state workmen's compensation laws, and the Wisconsin unemployment insurance law.

UNEMPLOYMENT INSURANCE IN OTHER COUNTRIES

The first unemployment insurance benefits in Europe were provided under voluntary plans which trade unions started for their members. The best known were started by small local unions in Belgium, in Liege in 1897 and Ghent in 1901. The first successful government actions in this field were subsidies to trade union plans. Over the years the need for pooling the financial risk forced many voluntary union plans to merge into national programs. In 1920, the Belgian government welded union programs into the semblance of a national system, with centralized control of funds and national subsidies as needed.

Enactment of Unemployment Insurance
in Selected Industrial Nations

<u>Laws subsidizing voluntary insurance systems</u>	<u>Compulsory unemployment insurance laws</u>
1902-France	1911-Great Britain and Northern Ireland
1907-Denmark	1919-Italy
1915-Norway	1920-Austria
1916-Netherlands	1922-Queensland, Australia
1917-Finland	1924-Poland
1921-Belguim	1925-Bulgaria
1924-Switzerland (12 cantons)	1925-Switzerland (13 cantons)
1931-Spain	1927-Germany
1934-Sweden	1935-Canada

Source: A History of UI Legislation, N.Y. State

Department of Labor, 1973

Compulsory unemployment insurance legislation was enacted in Europe decades before any such law was passed in the United States--the first national system in Great Britain in 1911. By 1935, when the Social Security Act was passed in this country, all or part of 10 nations had compulsory unemployment insurance laws and another 10 had systems of government subsidies to voluntary plans.

Foreign systems derived financial support from employees and general revenues as well as from employers. The original British system was financed by flat-rate contributions from employers, employees, and the national government. As amended through February 1935, the British Act covered most non-agricultural workers 16 to 64 years of age except non-manual workers who earned more than 250 pounds a year. Benefits, payable for 26 weeks, varied according to age and sex. British statutory regulations for payment of benefits and provisions on waiting period, availability, and disqualification were substantially incorporated into the original state laws in this country, as was the concept of administration through local employment exchanges.

EARLY DEVELOPMENTS IN THE UNITED STATES

In the early 1930's, only a few groups of workers in the United States were protected against unemployment, and these plans had limited value in formulating a comprehensive system. In 1934, trade union plans covered about 100,000 workers; joint union-management plans covered about 65,000, mostly in the garment trades; and voluntary company plans covered another 70,000. These last plans were mostly guaranteed employment plans, modest in scope and in coverage, to protect seasonal workers in the off season.

Proposals for State Legislation

The first state unemployment insurance laws proposed in the United States, bills modeled after the British Act of 1911, were introduced in the Massachusetts legislature in 1916 and in New York State in 1921. Neither bill passed, nor did bills introduced in many states during the 1920's. It took the depression of the 1930's to spark widespread interest in laws to help unemployed workers.

The Wisconsin Law

The most persistent efforts were in Wisconsin. Largely as the result of efforts by Professor John R. Commons and his associates at the University of Wisconsin, every legislature from 1921 to 1931 considered an unemployment insurance bill. Early proposals were modeled on workmen's compensation, the entire cost to be borne by employers, to encourage them to stabilize employment. A mutual insurance company was to carry the insurance and employers' contribution rates would vary according to their experience with unemployment (within the unemployment insurance program this is called "experience rating").

In a special session in 1931, Wisconsin passed this nation's first unemployment insurance act; it was signed into law in 1932. To allow time for setting up the administrative system and for accumulating a pool of employers' contributions, benefits were not paid until 1936.

Under the Wisconsin law, individual employer reserves would be maintained in a state fund. Each employer's reserve was to be used for benefits to his own workers when they became unemployed, and his contribution rate would vary according to the benefits paid. When the average amount per employee in his reserve accumulated to a certain level, the employer's contributions were suspended. The amount and duration of benefits for each claimant were determined separately for each employer according to the claimant's employment and wages with him.

Ohio Pooled Fund

In 1932, the Ohio Commission on Unemployment Insurance recommended a different kind of plan. This provided for a statewide pooled fund, employer and employee contributions with no variation in rates, weekly benefits related to base period wages from all of the claimant's employers, and a uniform maximum of 26 weeks of benefits for all eligible claimants. The plan's emphasis was on the social aspects of unemployment and on conditions that create unemployment beyond an individual employer's responsibility.

Other States

No other state took action until 1935, when six states--New York, California, Massachusetts, New Hampshire, Utah, and Washington--passed legislation in anticipation of the federal Social Security Act. These early laws were amended in the next legislative session in each state, to conform them to the new Federal law.

Proposals for Federal Legislation

Interest in a national unemployment insurance law was evident as early as 1916, when a resolution was introduced in Congress to create a commission to draft such legislation. The resolution did not pass, and Congress evidenced no further interest for a decade.

In 1928 and 1931, the Senate Committee on Education and Labor held hearings on the national problem of unemployment and on foreign countries' experience with unemployment insurance. In 1931 and again in 1934, Senator Robert F. Wagner of New York State introduced legislation for a federal-state system, but these bills never came to a vote.

On March 23, 1934, President Franklin D. Roosevelt wrote:

Of course, unemployment insurance alone will not make unnecessary all relief for all people out of a major economic depression, but it is my confident belief that such funds will, by maintaining the purchasing power of those temporarily out of work, act as a stabilizing device in our economic structure and as a method of retarding the rapid downward spiral curve and the onset of severe economic crises.

In June 1934, President Roosevelt appointed a Committee on Economic Security to study the problem of unemployment as part of the whole problem of economic instability. The committee's final report, transmitted to Congress in January 1935, included a recommendation for providing security for all unemployed. Senator Wagner and others subsequently introduced bills embodying the committee's detailed recommendations.

FRAMEWORK OF THE FEDERAL-STATE SYSTEM

The national program of unemployment insurance was instituted under two titles of the Social Security Act, which Congress passed in August 1935 by an overwhelming bipartisan vote: Title III, "Grants to the States for Unemployment Compensation Administration," and Title IX, "Tax on Employers of Eight or More." Much of Title IX was later incorporated in the Internal Revenue Code, as the Federal Unemployment Tax Act.

The type of federal-state cooperation provided in this legislation had never been tried in any other governmental activity. The act did not set up a federal system of unemployment benefits comparable to the federal old age insurance system, nor did it provide grants to the states for

unemployment benefits, comparable to the matching grants provided for public assistance payments.

Instead, it levied a tax on all employers in industry and commerce who had eight or more workers for at least 20 weeks in a year. The federal tax was one percent of payrolls for 1936, two percent for 1937, and three percent for 1938 and thereafter. Since all employers were taxed, each state could assist its unemployed without putting its industries at an economic disadvantage with those in other states. Through a tax offset provision, the federal act actually made it advantageous for states to enact laws to pay unemployment benefits. This provision entitled an employer to credit payments under a state law against up to 90 percent of his federal tax due. Employers were also credited for contributions they were excused from paying under a state experience rating system.

The federal law contained a number of standards for administration, policy, and coverage. Effective in 1940, the federal law required the states to operate a merit system for employment security personnel.

A state which failed to meet federal standards could be penalized in two ways:

- o Federal funds for state administration costs could be withheld, or
- o Employers could be denied credit against the federal unemployment insurance tax for their contributions under the state law.

Approval by the Social Security Board (later, by the U.S. Secretary of Labor) was needed for federal certification that a state unemployment insurance law met the required conditions. (Judicial review of the Secretary of Labor's decisions on state conformity or compliance proceedings was first provided for in 1970.)

Although the cost of administering State unemployment insurance programs was financed entirely from the Federal share of the unemployment insurance tax, Congress was required to appropriate funds annually.

To safeguard the financial stability of the system, the Federal law required each State to deposit the taxes it collected in an Unemployment Trust Fund set up by the U.S. Treasury, the money to be invested in United States government bonds. A separate account was kept for each State; a State could withdraw funds at any time, but only to pay unemployment benefits.

CONSTITUTIONALITY

The constitutionality of the State and Federal laws was challenged in several States as soon as unemployment insurance taxes became payable on employment after January 1, 1936. The U.S. Supreme Court upheld the constitutionality of the New York law in November 1936, and that of the Social Security Act and the Alabama Unemployment Compensation Act in May 1937. With respect to the constitutionality of the pertinent titles of the Social Security Act (Titles III and IX) and of the Alabama Unemployment Compensation Act, the Supreme Court affirmed the constitutionality of both Federal and State statutes by vote of 5 to 4. Some significant statements of Mr. Justice Cardozo, writing for the majority, include the following (parenthetical language supplied for clarity):

- o To draw the line intelligently between duress and inducement there is need to remind ourselves of facts as to the problem of unemployment that are now matters of common knowledge. The relevant statistics are gathered in the brief of counsel for the Government. Of the many available figures, a few only will be mentioned. During the years 1929 to 1936, when the country was passing through a cyclical depression, the number of the unemployed mounted to unprecedented heights. Often the average was more than 10 million; at times a peak was attained of 16 million or more. Disaster to the breadwinner meant disaster to dependents. Accordingly the roll of the unemployed, itself formidable enough, was only a partial roll of the destitute or needy. The fact developed quickly that the states were unable to give the requisite relief. The problem had become national in area and dimensions. There was need to help from the nation if the people were not to starve. It is too late today for the argument to be heard with tolerance that in a crisis so extreme the use of the moneys of the nation to relieve the unemployed and their dependents is a use for any purpose narrower than the promotion of the general welfare.

- o ... if states had been holding back before the passage of the federal law, inaction was not owing, for the most part, to the lack of sympathetic interest. Many held back through alarm lest in laying such a toll upon their industries, they would disadvantage as compared with neighbors or competitors. Two consequences ensued. One was that the freedom of a state to contribute its fair share to the solution of a national problem was paralyzed by fear. The other was that in so far as there was failure by the states to contribute relief according to the measure of their capacity, a disproportionate burden, and a mountainous one, was laid upon the resources of the Government of the nation.

- o A credit to taxpayers for payments made to a State under a state unemployment law will be manifestly futile in the absence of some assurance that the law leading to the credit is in truth what it professes to be. An unemployment law framed in such a way that the unemployed who look to it will be deprived of reasonable protection is one in name and nothing more. What is basic and essential may be assured by suitable conditions. The terms embodied in these sections are directed to that end (Sections 903 and 904, Federal standards). A wide range of judgment is given to the several states as to the particular type of statute to be spread upon their books.
- o The classifications and exemptions directed by the statute now in controversy have support in considerations of policy and practical convenience that cannot be condemned as arbitrary. The classifications and exemptions would therefore be upheld if they had been adopted by a state and the provisions of the Fourteenth Amendment were invoked to annul them. This is held in two cases passed upon today in which precisely the same provisions were the subject of attack, the provisions being contained in the Unemployment Compensation Law of the State of Alabama.
- o The proceeds of the excise when collected are paid into the Treasury at Washington, and thereafter are subject to appropriation like public moneys generally. No presumption can be indulged that they will be misapplied or wasted. Even if they were collected in the hope of expectation that some other and collateral good would be furthered as an incident, that without more would not make the act invalid. This indeed is hardly questioned. *** There must be a showing in the first place that separated from the credit the revenue provisions are incapable of standing by themselves.

The opinion concludes with a similar finding with respect to the constitutionality of Title III of the Social Security Act, authorizing Congress to make appropriations for grants to States for costs of administering their unemployment compensation laws.

DETAILED HISTORY OF FEDERAL LEGISLATIVE ACTIONS WITH RESPECT TO UNEMPLOYMENT COMPENSATION IN THE 50-YEAR PERIOD (1935-1985)

The Social Security Act (Titles III and IX, as passed by the Congress and signed into law, enacted as Public Law 94-271)

Two major differences between the House and Senate versions of the Act warrant specific reference:

COVERAGE. The House version of the Act provided for an excise tax levied upon the amount of wages paid for services by employers of 10 or more employees. The Senate version applied to employers of 4 or more employees. As resolved in conference and accepted by both Houses of Congress, coverage was approved for employers of 8 or more employees in at least 20 or more weeks in a calendar year.

EXPERIENCE RATING. The House bill provided only for a pooled fund in each State law. The Senate amended the bill to provide for a variety of choices that each State was permitted to adopt at its option. The Senate amendment was accepted by the Committee of the Conference and became law.

The initiative for adding experience rating provisions to the bill came from Senator Robert F. LaFollette, of Wisconsin, whose concern was that the Wisconsin law, already enacted, could not meet projected Federal requirements under the House bill. He offered a comprehensive statement of his amendment, a summary of which follows:

Three different types of provisions are provided in the amendment, under which employers may be permitted a reduction in their rates of contribution:

- (1) Reduced rates of contribution under pooled unemployment-compensation laws. (Consistent with the House bill)
- (2) Reduced rates of contribution under separate reserve account unemployment-compensation laws. (Consistent with the Wisconsin Unemployment Compensation Law)
- (3) Reduced rates of contribution where employers provide guaranteed employment. (There appeared to be some interest by employers in such an option.)

The condition prescribed for the reduction of rates of contribution of pooled unemployment-insurance laws is that no reduction may be made until after 3 years of compensation experience. The condition applicable to the separate reserve account type of unemployment-compensation law is that the employer must have built up a reserve equal to at least five times the largest amount of compensation which has been paid from his account within any one of three preceding calendar years or equal to at least 7.5 percent of his total payroll during the preceding calendar year, whichever is the larger.

The conditions under which reduced rates of contribution are recognized, where permitted by the State law, to an employer who has guaranteed employment to all or some of his employees are:

- (1) The period of guaranteed employment is at least 40 weeks during the year with not less than 30 hours of work during any week. (If the guarantee is for more than 40 weeks during the years, the hours per week may be reduced by the same number as the number of weeks of guaranteed work is increased-i.e., if the guarantee is for 42 weeks, only 28 hours of work need be given.)
- (2) The employer must have actually fulfilled his guarantee.
- (3) The employer must have built up a reserve of not less than 7.5 percent of his payroll in the preceding year, from which compensation is payable to employees in the event the guarantee is not fulfilled or not renewed, and the employee, in consequence, becomes unemployed and is unable to find other work. (This would in turn protect the employee should the employer be unable to fulfill his obligations).

SUMMARY OF UNEMPLOYMENT COMPENSATION PROVISIONS OF THE SOCIAL SECURITY ACT--

- (1) August 1935 (P.L. 74-271, Approved 8/14/35). The Federal Social Security Act was enacted August 14, 1935. The Act established the basic framework of the Federal-State system of unemployment insurance. Key provisions, including the device of allowing credit against the Federal tax for taxes paid under a State law that meets Federal law requirements, Federal financing of administrative costs, and substantial State autonomy over all substantive elements of self-contained unemployment insurance laws--have not been fundamentally altered in nearly 50 years.

Principal provisions of the Social Security Act (Titles III and IX) are:

A. COVERAGE

Employers with 8 or more workers in each of 20 different weeks in a calendar year subject to payroll tax (on total wages) of 3 percent.

Major coverage exclusions--

- (1) Employees of employers with fewer than 8 employees
- (2) Workers in agriculture
- (3) Federal, State and local government employees
- (4) Employees of nonprofit employers
- (5) Household workers

B. CREDIT FOR PAYMENT OF STATE TAX

Title IX (now the Federal Unemployment Tax Act--FUTA) provides that employers subject to the Federal tax receive credit against that tax for contributions paid under an approved State unemployment compensation law, up to a maximum credit of 90% of the Federal tax (initially 2.7 percent of payrolls). If State law meets Federal requirements for "experience rating," employers receive "additional credit" equal to the difference between 2.7 percent and the contributions actually paid under State law. (A State law may provide tax rates ranging from a rate as low as zero. However, the employer receives a credit of 2.7 percent of payrolls.) The net (0.3 percent) Federal tax is to pay costs of administering the UI program.

C. EXPERIENCE RATING

To be certified for additional tax offset credit by the Social Security Board (now Secretary of Labor), a State law must meet the following criteria:

- (1) Pooled-fund. State law must rate employers on the basis of their experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during 3 consecutive years preceding the computation date.
- (2) Reserve account. State law must provide reduced rates to employers with a balance equal to 5 times the amount of benefits paid to former employees during any 1 of the past 3 years and 2-1/2 percent of payrolls for the past 3 years. (Obsolete) This would have established reserve requirements estimated to be sufficient to assure that benefits would be provided to former employees. No States have reserve account provisions in their laws.

D. FEDERAL REQUIREMENTS FOR CERTIFICATIONS UNDER TITLE IX, FOR TAX OFFSET CREDIT

- (1) State law must provide that all compensation be paid through public employment offices.

- (2) No compensation shall be paid within 2 years after the first day of the first period with respect to which contributions are required.
- (3) Contributions collected by the State are required to be immediately transferred to the Secretary of the Treasury to the credit of the State's account in the Unemployment Trust Fund of the United States.
- (4) All contributions (and withdrawals from the Unemployment Trust Fund and interest earned) shall be used solely in the payment of benefits or for refunds to employers for overpaid contributions.
- (5) State law shall not deny payment of compensation to a claimant--
 - (a) for refusal to accept new work where the position offered was vacant because of a labor dispute;
 - (b) for refusal of a job where the wages, hours, or working conditions are substantially less favorable than those prevailing for similar work in the locality; or
 - (c) for refusal to accept a job that would require a claimant either to refrain from joining a bona fide union or to join a company union.
- (6) All rights, privileges, or immunities conferred by the State law must exist subject to the authority of the State, by law, to amend or repeal them at any time.

E. GRANTS TO STATES FOR COSTS OF ADMINISTRATION

Administrative grants for proper and efficient administration provided to the State by the Social Security Board (now Secretary of Labor). State law must provide:

- (1) Such methods of administration as are calculated to ensure full payment of benefits when due;
- (2) Opportunity for a fair hearing before an impartial tribunal for all whose claims to benefits have been denied; and
- (3) Full and complete reports to the Social Security Board on activities under the State law, and requested information to other Federal agencies engaged in the administration of public works or assistance.

MAJOR PROGRAM CHANGES: 1938-1985

During the 47-year period: 1938 to 1985, 65 bills were enacted by the Federal Government that dealt directly with or were closely related to the Unemployment Insurance program. Some of these made major and multiple changes in the system; others were single purpose. In this section we discuss major program changes that have occurred; thereafter in succeeding sections we summarize the Unemployment Insurance program as in effect in 1985, and discuss issues in which there is current interest.

THE SYSTEM BEGINS ...

By July, 1937, all States had enacted Federally-approved unemployment compensation laws. In general, the State laws followed the models suggested by the Committee on Economic Security. Benefits were to be equal to 50% of full-time weekly earnings, but not to exceed \$15 weekly. Most States set a \$5 weekly minimum benefit amount. The States were more optimistic about the ability of the unemployment compensation funds to handle benefit payments than the Committee, which had recommended that benefits be provided for up to 12 weeks, after a two-week waiting period; only three States provided for such brief duration. In general, States provided duration of 13 to 16 weeks.

AND THE CHANGES BEGIN ...

1938

Railroad Unemployment Insurance (RRUI)

The Railroad Retirement Act, which preceded the Social Security Act and provided a retirement system for employees of the rail industry, was expanded to provide a separate unemployment insurance system for employees of the industry. Coverage was excluded from the Social Security Act, and States were required to similarly exclude such employment from State coverage. (Public Law 75-722, June 1938). Both rail employers and rail employees supported the transfer. States in general indicated no opposition, at least partly because there had been some difficulties experienced in assigning coverage for employment which involved time spent in many different States, and because rail wage payment practices were different from the weekly payroll that was the general practice in most other employment--auguring possible difficulty in relating unemployment benefits, on a weekly basis, to the rail employment pattern.

1939

Amendments to the Social Security Act made changes in the Federal unemployment compensation laws. Several hundred thousand workers were excluded from unemployment compensation coverage as definitions of excluded classes of workers were broadened. Agricultural labor, exempt from coverage, was redefined to include produce packagers and processors. The definition of excluded nonprofit organizations was also broadened, and students were specifically excluded from coverage. The taxable wage base, initially the total wages paid to each worker, was limited to the first \$3,000 paid to each individual in a year. (Public Law 76-379, August 1939).

The \$3,000 limit was the same as that in effect under the Social Security Act.

1944

The Servicemen's Readjustment Act of 1944 (popularly known as the "G.I. Bill of Rights") included a program of readjustment allowances of \$20 a week for a maximum of 52 weeks to unemployed veterans of World War II and to self-employed veterans with net monthly income, after expenses, of less than \$100, payable for 12 months at a monthly maximum of \$100. For most veterans this program ended in July 1952. (Public Law 78-346, September 1944).

A loan fund was established under the War Mobilization Act (called the "George Loan Fund" after its sponsor, Senator George of Georgia, Chairman of the Committee on Finance of the Senate). Loans were available to States whose revenues were inadequate for the increased benefit payments expected to result from the reconversion of industry from war-related industry back to a peace economy (Public Law 78-458, October 1944). The American economy proved able to make the adjustment without major unemployment resulting, and this fund was never used and the legislation lapsed.

1952

The Veterans Readjustment Assistance Act provided up to 26 weeks of benefits at \$26 a week to unemployed veterans of the Korean conflict, discharged between June 27, 1950, and February 1, 1955. (Public Law 82-550, October 1952).

1954

In this year, two major measures were enacted:

The Employment Security Administrative Financing Act (known as the "Reed Act" after its sponsor, Congressman Reed) earmarked all proceeds of the Unemployment Tax Act (now a part of the Internal Revenue Code) to unemployment insurance purposes by automatically appropriating to the Federal Unemployment Trust Fund any annual excess of Federal tax receipts over employment security appropriations. The act also provided for a loan fund to provide interest-free loans to States whose unemployment trust funds fell below the amount they had paid out in benefits in the previous year. Additionally, the act provided for the return to the States of any excess above a \$200 million reserve in the Loan Fund, to be used for payment of benefits and, under certain conditions, for State administrative expenses, including construction of buildings. (Public Law 83-567, August 1954)

A second bill enacted in 1954 extended coverage, effective in 1956, to employers of four or more workers, the first major extension of coverage since the Social Security Act was passed in 1935. The act also extended coverage to Federal employees (UCFE) subject to benefit provisions of State laws, with costs reimbursed to the States by the Federal Government. (Public Law 83-767). These extensions were initiated by recommendations of the Department of Labor.

1958

The Temporary Unemployment Compensation Act (TUC) permitted any State which signed an agreement with the Secretary of Labor to pay extended benefits, for half the regular duration under State law, to individuals who had exhausted regular benefits after June 30, 1957, and before April 1, 1959 (up to 13 additional weeks of benefits). The Federal Government financed the program through interest-free loans to participating States. (Public Law 85-44, June 1958). This program was recommended by President Eisenhower. Seventeen States participated.

The program Unemployment Compensation for Federal Employees (UCFE) was broadened to include a separate permanent program for veterans of the armed services (UCX). (Public Law 85-848, October 1958.)

1961

A second temporary extension of benefits (Temporary Extended Unemployment Compensation) was enacted, at the initiative of President Kennedy. It was similar to the 1954 TUC program, except financing was provided by the Federal Government on a nonreimbursable basis and all States participated. (Public Law 87-6, March 1961).

1970

This year saw the culmination of a major effort initiated by the Department of Labor as early as 1966. Major provisions of the Employment Security Amendments included the following actions:

- (1) Coverage was extended to all private sector employers with one or more employees.
- (2) State laws were required to provide coverage for employees of most nonprofit organizations, and of State hospitals and State institutions of higher education.
- (3) The Federal Unemployment Tax was increased from 3.1 percent to 3.2 percent, and the taxable wage base from \$3,000 to \$4,200 -- the first increase in the wage base since it was set at \$3,000 in 1939.
- (4) A permanent Federal-State Extended Unemployment Compensation program was adopted. Under this program, costs were shared equally by State and Federal unemployment compensation accounts. Benefits were payable when specified national or State insured unemployment rates (IURs) were met. Benefits were payable at the same weekly rate, and for half the number of weeks (up to 13), for which an individual had been eligible under the State claim which he/she had exhausted.

(Public Law 91-373, August 1970).

Efforts to initiate a Federal requirement that States provide benefits at levels reaching some fixed percentage of average wage in the State were defeated. A proposal to include coverage of agricultural workers under the Federal Unemployment Tax Act was set aside -- the Department of Labor was directed to prepare a report for Congress on the feasibility and potential costs of coverage for agricultural workers.

Additional Temporary Extensions of Benefits:
1971/1972/1974/1977

Severe layoffs in the aerospace and electronics industry, particularly in the Northwest and Northeast, caused extremely high unemployment in the early 1970's. And then in 1974 the oil embargo expanded the economic problems into almost every part of the Nation. A series of temporary bills were enacted to mitigate some of these economic difficulties:

- (1) The Temporary Emergency Compensation Act (TEUC) provided additional payments to individuals who had exhausted regular and extended benefits in States which had triggered "on" extended benefits and which reached a special adjusted insured unemployment rate of 6.5 percent. (Public Law 92-224, December 1971, and Public Law 92-329, June 1972).
- (2) The Emergency Jobs and Unemployment Assistance Act provided for an unprecedented temporary program of Special Unemployment Assistance (SUA) to individuals who met the work experience requirements of State unemployment insurance laws but whose earnings were not in employment covered by State laws. (Public Law 93-67, December 1974; Public Law 94-12, March 1975, and Public Law 94-45, June 1975.)
- (3) The Emergency Unemployment Compensation Act, a companion act to Public Law 93-67, established a temporary program of Federal Supplemental Benefits (FSB) providing additional weeks of Federally-funded benefits to individuals exhausting regular and extended benefits. Over the life of the program, national and then State triggers were used, and duration, originally up to a uniform maximum 13 weeks, was extended to 26 weeks, and then to a variable number of weeks based on State insured unemployment rates. (Public Law 93-572, December 1974); Public Law 94-12, March 1975; Public Law 94-45, June 1975; and Public Law 95-19, March 1977.)

1976

Interest in the unemployment insurance system continued after the passage of the 1970 amendments. Further expansion of coverage and fine-tuning of the extended benefit program were among major concerns, and, in the Department, in development of a benefit standard that would bring all States up to some minimum level of wage replacement for a substantial majority of all workers. In 1973 a comprehensive set of recommendations was sent to the Congress by President Nixon. However the subject of permanent change in the system was put aside and efforts to meet the immediate needs, described in the paragraphs just preceding, received priority attention. President Ford proposed permanent changes in the system, and this effort culminated in the Unemployment Compensation Amendments of 1976 (Public Law 94-566, October 1976), which included the following major provisions:

- (1) Required State coverage was extended to nearly all employees of State and local governments and to nonprofit elementary and secondary schools. Agricultural and household workers were given limited coverage under the Federal Unemployment Tax Act, effectively extending such coverage to State laws.
- (2) The taxable wage base under FUTA was increased from \$4,200 to \$6,000, and the Federal tax rate was increased to 3.4 percent, dropping to 3.2 when certain obligations to the general fund of the Treasury are paid off.
- (3) Improved Federal and State extended benefit triggers were enacted to make the programs more responsive to sudden changes in the economy.

1980

A bill providing for amendments to the Employment Retirement Income Security Act (Public Law 96-364, September 1980) also contained three unemployment insurance provisions:

- (1) Amended an earlier pension deduction requirement to limit the mandated deduction in State laws to that proportion of an employee's pension funded by the base period employer.
- (2) Amended the program for ex-servicemembers (UCX) to increase from 90 days to 365 days the minimum qualifying period of military service.
- (3) Limited payment of extended benefits for individuals who move from a State paying extended benefits to a State not paying such benefits.

The Omnibus Budget Reconciliation Act (Public Law 96-499, December 1980) included the following changes in Federal unemployment insurance requirements:

- (1) Extended Benefits.
 - (a) Eliminated Federal reimbursement for the 50 percent share of extended benefits for the first week of payments if the State law does not include a waiting period of at least one week for regular benefits.
 - (b) Provided a series of special requirements with respect to job search and acceptance of suitable work, and instituted specific disqualification requirements in the extended benefit program.

(2) Unemployment Compensation for Federal Employees.

Required that each Federal agency pay directly the costs of benefits paid to its former employees.

1981

The Omnibus Budget Reconciliation Act (Public Law 97-35, August 1981) contained the following provisions relating to unemployment insurance:

- (1) Extended Benefits. Eliminated the national trigger, limiting payments to conditions in individual States and increased the insured unemployment rates governing payments in a State. Prohibited payment to an individual who had fewer than 20 weeks of work (or equivalent) in his regular State base period.
- (2) Unemployment Compensation for Ex-servicemembers. Disqualified individuals who separated from the service when eligible to reenlist.
- (3) Loan Mechanism Revisions.
 - (a) Provided for a maximum on the amount of reduction (cap) in State tax credit if States take certain steps to increase solvency of their unemployment insurance funds.
 - (b) Provided that, with certain limited exceptions, all new State loans taken on and after April 1, 1982, shall bear interest. (Heretofore no loans were subject to interest.) Also required that interest payments may not be made from State unemployment funds.

(A more detailed explanation of this subject can be found in the section: THE BASIC SYSTEM.)

1982

Again, significant changes were made in the unemployment insurance system in the Tax Equity and Fiscal Responsibility Act (Public Law 97-248, September 1982). Major provisions included the following:

- (1) Federal Supplemental Compensation (FSC). Due to deepening recessionary conditions, significant numbers of workers were exhausting both regular and extended benefits. A new temporary FSC program provided for additional benefits for varying numbers of weeks in each State depending upon State insured unemployment rates. The program was operative in all States, funded from Federal general revenues.

- (2) Both the FUTA taxable wage base and tax rate were increased, the wage base from \$6,000 to \$7,000, and the tax rate from 3.4 percent to 3.5 percent (both effective from January 1, 1983).
- (3) 1985 increase in gross FUTA tax. Effective January 1, 1985, the gross FUTA tax was increased to 6.4 percent (from 3.5 percent); the standard tax credit for employers in a State with an approved law was increased to 5.4 percent (from 2.7 percent); and the 0.8 net Federal tax remained the same. The changes came from Congressional initiatives and the rationale was: (1) raising the required maximum rate in State laws to 5.4 percent would make it easier for States to secure legislative approval of higher tax maximums and to thus assign higher rates to employers whose charges against State unemployment insurance funds were greatest--attributable to irregular patterns of employment, and (2) this in turn would permit more stable employers, whose demands upon the unemployment fund were lower, to earn lower tax rates. Special exceptions were permitted two State laws to provide that certain employers, where such employers were assigned a rate higher than 2.7 percent en bloc, to have a 5-year phase-in, to 1989, to reach the 5.4 percent maximum.

Modifications to the program of unemployment compensation for ex-servicemembers were included in the Miscellaneous Revenue Act (Public Law 97-362, October 1982), as follows:

- (1) The automatic denial of eligibility for failure to re-enlist when eligible to do so was eliminated.
- (2) Eligibility was provided for an individual discharged or released after completing his/her first full term of active service, or for certain enumerated specific causes.
- (3) Benefits are not payable before the fifth week after discharge and would not exceed 13 times the individual's weekly benefit amount (instead of the duration specified in State law, as heretofore discussed).

1983

In January, March, April, September, and October, a series of bills were enacted providing changes in FSC triggers and providing extensions of benefits, eventually extending the life of the program to March 31, 1985.

The Social Security Amendments (Public Law 98-21, April 1983, included a group of changes dealing with requirements relating to loan repayments and interest changes. (These are detailed in appendix II).

1984

Amendments to Title XI of the Social Security Act, included in the Deficit Reduction Act (Public Law 98-369, July 1984), required that all States, as a condition for compliance with Federally-aided assistance programs and for conformity with requirements for Title III grants for costs of unemployment insurance administration, must provide for a system of quarterly wage reports by employers.

AT THE 50-YEAR MARK: THE FEDERAL-STATE SYSTEM TODAY

THE BASIC SYSTEM

About 97 percent of wage and salary workers are now covered by the Federal-State system, originally established by the Social Security Act. The Federal taxing provisions are in the Federal Unemployment Tax Act, chapter 23 of the Internal Revenue Code (FUTA). Railroad workers are covered by a separate Federal program. Veterans with recent service in the Armed Forces and civilian Federal employees are covered by Federal programs, chapter 85, title 5, United States Code, with the States paying benefits as agents of the Federal Government.

The Federal provisions in the Federal Unemployment Tax Act and the Social Security Act establish the framework of the system. If a State law meets minimum Federal requirements, (1) employers receive a 5.4 percent credit against the 6.2 percent Federal payroll tax, and (2) the State is entitled to Federal grants to cover all the necessary costs of administering the program.

Should nonconformity result in violation of FUTA standards, the Secretary is required to withhold approval of the State law for employer tax credit within the State. Noncompliance with Title III requirements, on the other hand, could result in denial by the Secretary of grants for costs of administration, which must also be withheld if the State law is not approved under FUTA.

Approval for Tax Credit under the Federal Unemployment Tax Act
Section 3304 of the Internal Revenue Code of 1954 provides that the Secretary of Labor shall approve a State law if under the State law:

- (1) Compensation is paid through public employment offices or other approved agencies;
- (2) All of the funds collected under the State program are deposited in the Federal Unemployment Trust Fund;
- (3) All of the money withdrawn from the unemployment fund is used to pay unemployment compensation or to refund amounts erroneously paid into the Fund;
- (4) Compensation is not denied to anyone who refuses to accept work because the job is vacant as the direct result of a labor dispute; or because the wages, hours or conditions of work are substandard; or if, as a condition of employment, the individual would have to join a company union or resign from or refrain from joining any bona fide labor organization;

- (5) Compensation is paid to employees of State and local governments (with required limitations on benefit entitlement during vacation periods for employees in education);
- (6) Compensation is paid to employees of FUTA tax exempt nonprofit organizations, including schools and colleges, which employ 4 or more workers in each of 20 weeks in the calendar year;
- (7) Compensation is not payable in the second of 2 successive benefit years to an individual who has not worked in covered employment after the beginning of the first benefit year;
- (8) Compensation is not denied to anyone solely because he/she is taking part in an approved training program;
- (9) Compensation is not denied or reduced because an individual's claim for benefits was filed in another State or Canada;
- (10) The only reasons for cancellation of wage credits or total benefit rights are discharge for work-connected misconduct, fraud, or receipt of disqualifying income;
- (11) Extended compensation is payable under the provisions of the Federal-State Extended Unemployment Compensation Act of 1970, as amended;
- (12) The State participates in arrangements for combining wages earned in more than one State for eligibility and benefit purposes;
- (13) Reduced rates are permitted employers only on the basis of their experience with respect to unemployment;
- (14) State and local governments and nonprofit organizations may choose between paying regular employer contributions or financing benefit costs by the reimbursement method;
- (15) No individual shall be denied compensation solely on the basis of pregnancy or termination of pregnancy;
- (16) Compensation may not be payable to a professional athlete between seasons who is under contract to resume employment when new season begins;

- (17) Compensation may not be payable to an alien not legally available to work in the United States;
- (18) The benefit amount of an individual shall be reduced by that portion of a pension or other retirement income which is funded by a base period employer (including 50 percent of primary Social Security or Railroad Retirement payment);
- (19) Wage information in the agency files must be made available, upon request, to the agency administering Aid to Families with Dependent Children;
- (20) The following specific provisions of the Federal-State Extended Unemployment Compensation (EB) Act must be adopted by State law:
 - (A) Specific requirements for defining suitable work and imposing disqualifications related thereto,
 - (B) EB payments limited to 2 weeks if claimant moves from a State triggered "on" to a State which is not paying EB,
 - (C) No provision of State law which terminates a disqualification for voluntary quit, discharge for misconduct, or job refusal, for any reason other than new employment, shall apply for purpose of determining eligibility for EB;
 - (D) No individual shall be eligible for EB unless during his/her base period for regular UI he/she had 20 weeks of full-time insured unemployment or the equivalent in insured wages (40 times the individual's most recent weekly benefit or 1-1/2 times earnings in the highest quarter earnings in the base period);
- (21) Any interest required to be paid on advances shall be paid by the due date set in FUTA. The interest paid shall not be drawn from the unemployment insurance funds of the State, but may be paid from a separate tax levied for that specific purpose or from such other sources as the State may determine.

Approval for Grants for Costs of Administration

Title III of the Social Security Act provides for payments from the Federal unemployment fund to the States to meet the necessary cost of administering the unemployment compensation

programs in the States and the major proportion (97%) of the cost of operating their public employment offices. Under this title, the grants are restricted to those States that have been certified by the Secretary of Labor as providing:

- (1) Methods of administration (including a State merit system of personnel) which will insure full payment of unemployment compensation when due;
- (2) Unemployment compensation payment through public employment offices or through other approved agencies;
- (3) For fair hearings to individuals whose claims for unemployment compensation have been denied;
- (4) For the payment of all funds collected to the Federal Unemployment Trust Fund;
- (5) That all of the money withdrawn from the fund will be used either to pay unemployment compensation benefits, exclusive of administrative expenses, or to refund amounts erroneously paid into the fund; except that, if the State law provides for the collecting of employee payments, amounts equal to such collections may be used to provide temporary disability payments;
- (6) For making the reports required by the Secretary of Labor;
- (7) For providing information to Federal agencies administering public work programs or assistance through public employment;
- (8) For limiting expenditures to the purposes and amounts found necessary by the Secretary of Labor;
- (9) For repayment of any funds the Secretary of Labor determines were not spent for unemployment compensation purposes or exceeded the amounts necessary for proper administration of the State unemployment compensation law;
- (10) For providing information to the Department of Agriculture and State food stamp agencies with respect to wages, benefits, home address, and job offers.
- (11) For providing wage information to any State or local child support agency.
- (12) For requiring that a claimant disclose whether or not he owes child support obligations. Deductions from

benefits shall be made for any such child support obligations, and the amount of such deduction paid by the State UI agency to the appropriate child support agency.

- (13) That no certification for payment to any State shall be made by the Secretary if he finds that any interest on advances has not been paid by the date on which it is required to be paid, or has been paid directly or indirectly (by an equivalent reduction in State unemployment taxes or otherwise) by such State from amounts in the State's unemployment fund, until such interest is properly paid.
- (14) That the State agency charged with the administration of the UI law provides that information shall be requested and exchanged for purposes of income and eligibility verification in accordance with a State system meeting the requirements of Title XI of the Social Security Act. The UI wage record system may, but need not, be the required States system.

FINANCING THE PROGRAM

Under the provisions of the Internal Revenue Code, a tax is levied on covered employers at a current rate of 6.2 percent on wages up to \$7,000 a year paid to an employee. The law, however, provides a credit against Federal tax liability of 5.4 percent to employers who pay State taxes under an approved State unemployment compensation program. This credit is allowed regardless of the amount of the tax paid to the State by the employer. Because all of the States now have approved unemployment compensation laws, the standard Federal tax in every State is 0.8 percent. This Federal tax is used to pay all of the administrative costs, both State and Federal, associated with the unemployment compensation programs; to provide 50 percent of the benefits paid under the Federal-State Extended Unemployment Compensation Act of 1970; to pay the costs of benefits under the Emergency Unemployment Compensation Act of 1974 (from January 1975 through March 1977); and to maintain a loan fund from which an individual State may borrow (title XII of the Social Security Act) whenever it lacks funds to pay the unemployment compensation benefits due for any month.

Provisions Relating to Loans

A loan is made to a State upon request from the Governor, to the Secretary of Labor, indicating that the anticipated balance in the State's unemployment fund is insufficient to pay expected benefit claims during one or more months of the next

3-month period. Such loans are made from the Federal Unemployment Account in the Unemployment Trust Fund.

In order to assure that a States will repay any loans it secures from the fund, the law provides that when a State has an outstanding loan balance on January 1 for 2 consecutive years, the full amount of the loan must be repaid by November 10 of the second year or the Federal tax on employers in that State will be increased for that year and further increased for each subsequent year that the loan has not been repaid. The 5.4 percent credit is reduced in successive increments of 0.3 percent for each year in which a loan or loans remain unpaid (reducing the overall credit from 5.4 to 5.1 to 4.8 percent, to 4.5 percent, to 4.2 percent, etc.).

Cap on loan repayment requirements. If certain requirements are met, a cap (limit) is provided in the reduction in offset credit at the higher of 0.6 percent or the rate of reduction which was in effect in the State for the previous year. These requirements are:

- (1) No State action was taken in the prior year that would diminish the solvency of the State fund;
- (2) There has been no decrease in the State's unemployment tax effort;
- (3) The average tax rate for the taxable year exceeds the 5-year average benefit cost rate; and
- (4) The State's outstanding loan balance as of September 30 of the tax year is not greater than that for the third preceding September 30.

If the State does not meet all four requirements:

- (1) If it meets criteria 1 and 2 and either 3 or 4, the rate of offset credit reduction in effect for that year shall be reduced by 0.1 percent, and
- (2) If the State meets criteria 1 and 2, but not all four, and qualifies for deferral on interest (see "Interest on Loans" immediately following), the rate of offset credit reduction in effect for that year shall be reduced by 0.2 percent.

Interest on loans

Except for cash flow loans (repaid in the same fiscal year in which made) interest is required on all loans made on or after

April 1, 1982. The rate is the lesser of 10 percent or the rate at which interest is being paid on State reserve balances in the Federal Unemployment Trust Fund.

Interest is due and payable on the last day (September 30) of the fiscal year in which the loans were made. If a State borrows after September 30 in a calendar year in which any cash flow loans had been repaid earlier in the year without interest, then interest will be charged retroactively for the period that the State had held any earlier loans. Interest may be deferred for loans made in the last 5 months of the fiscal year (May-September).

Conditions for additional deferral. Interest in each of the years 1983, 1984, and 1985 may be paid in 5 annual installments at 20 percent a year if the following conditions are met:

- (1) The State has taken no action that would reduce its tax effort or trust fund solvency; and
- (2) If the State has taken action after March 31, 1982, to increase revenues and decrease benefits, by a total of 25 percent, in the calendar year immediately following the fiscal year in which the deferral is requested. For the next two succeeding years, deferral may be granted if the tax increase and benefit decrease aggregate 35 and 50 percent, respectively.

States with an average total unemployment rate of 13.5 percent or greater, for the most recent 12-month period for which data is available, may delay payment of interest for a grace period of not to exceed 9 months.

No interest is charged on the amount of interest that is accrued during any period of deferral, under a delay that is permitted by law.

Discount on Interest. A discount of 1.0 percentage point below the rate otherwise applicable for 1983, 1984, and 1985 is available to States under the same general conditions as those provided under "Conditions for Additional Deferral," but the combined tax increase/benefit decrease must be 50, 80, and 90 percent, respectively.

Penalty for failure to pay interest. A State will lose all offset credit (5.4 percent) for any year in which all interest due under law is not paid by the date on which such interest is required to be paid. The State will also lose all grants for costs of administration until interest due has been paid.

Limitation on source of interest payments.

Interest payments may not be made from the State UI fund (directly or indirectly, by diverting some part of UI taxes). Violations of this requirement will lead to decertification of the State law and loss of all employer tax credits and of grants for costs of administration.

STATE TAXES

All States levy taxes on employers within the State. Four States (Alabama, Alaska, New Jersey and Pennsylvania) also collect contributions from employees. All taxes are deposited by the State to its account in the Unemployment Trust Fund in the Federal Treasury, and withdrawn as needed to pay benefits.

Federal Requirements for Experience Rating

The Federal law initially allowed employers additional credit for a lowered rate of contribution if the rates were based on not less than 3 years of "experience with respect to unemployment risk." In 1954, in Public Law 83-767, the 3-year requirement was relaxed and States were permitted to assign a reduced rate, based on their "experience," to new and newly covered employers who had at least 1 year of experience immediately preceding the computation date. Since 1970, States may also grant reduced rates (but not less than 1 percent) for newly covered employers.

For 1983 and prior years, additional credit was allowed only with respect to a year in which the rate of the taxpayers in such State with the least favorable experience was at least 2.7 percent. Effective January 1, 1985, additional credit may be allowed with respect to a year in which the rate of the taxpayers in such State with the least favorable experience was at least 5.4 percent. (Two States have been provided with special exceptions to the 1985 increase to the 5.4 percent maximum for certain groups of employers: for New York, employers in the construction and needle trades, and for Illinois, small businesses are permitted to be governed by special State law provisions providing a 5-stage staggered set of annual increases, attaining the 5.4 maximum rate with respect to 1989 and thereafter).

State Requirements for Experience Rating

All State laws, except Puerto Rico, provide for a system of experience rating by which individual employers' contribution rates are varied from the standard rate on the basis of their experience with the amount of unemployment encountered by their

employees. In most States three years of experience with unemployment means there must have been more than three years of coverage and contribution experience.

Liabile Employers

An employer is subject to the Federal unemployment tax if, during the current or preceding calendar year, he employed one or more individuals for at least 1 day in each of at least 20 calendar weeks or if he paid wages of \$1,500 or more during any calendar quarter of either such year. Variations on these requirements relate to employers in agriculture and domestic service: (a) in agriculture, employers are covered who have at least 10 or more workers for at least 1 day in each of at least 20 calendar weeks in a calendar year or a cash payroll of at least \$20,000 in a calendar quarter of a calendar year; (b) in household service, employers are covered who have a cash payroll of at least \$1,000 in any calendar quarter.

Taxable wages are defined as all remuneration from employment in cash or in kind with certain exceptions. The exceptions include earnings in excess of \$7,000 in a year, payments related to retirement, disability, hospital insurance or similar fringe benefits.

Taxable Wage Base

Many States have adopted a higher tax base than the minimum requirement of \$7,000 now provided in the Federal Unemployment Tax Act. In all States an employer pays a tax on wages paid to each worker within a calendar year up to the amount specified in State law. In addition, most of the States provide an automatic adjustment of the wage base if the Federal law is amended to apply to a higher wage base than specified under State law.

The limited Federal requirements permit States a wide variation in their practices with respect to setting tax rates. As a result of the many variables in State taxable wage base and tax rates, benefit formulas, and economic conditions, actual tax rates vary greatly among the States and between individual employers within a State. For 1984, the estimated average tax rate was 3.2 percent of taxable wages, ranging from a high of 5.5 percent in Michigan, with a taxable wage base of \$8,500, to a low of 1.5 percent in Florida and New Hampshire (with a taxable wages base of \$7,000 in both States). Tax rates as a percentage of total wages ranged from a high of 3 percent in Puerto Rico (uniform for all employers) to 0.6 percent in Arizona, Florida and Texas. The national average tax rate, as a percentage of total wages, was 1.3 percent.

COVERAGE

The Federal Unemployment Tax Act applies to employers who employ one or more employees in covered employment in at least 20 weeks in the current or preceding calendar year or who pay wages of \$1,500 or more during any calendar quarter of the current or preceding calendar year. Also included are large employers of agricultural labor and some employment in domestic service. In their unemployment insurance laws, States tend to cover employers or employment subject to the Federal tax because, while there is no compulsion to do so, failure to do so is of no advantage to the State and a disadvantage to the employers involved. While States generally cover all employment which is subject to the Federal tax, many go beyond, covering others, such as smaller employers of agricultural labor and household service.

Although the extent of State coverage is greatly influenced by the Federal statute, each State is, with two exceptions, free to determine the employers who are liable for contributions and the workers who accrue rights under the laws. Since January 1, 1978, the Federal law has required that State unemployment compensation laws must provide coverage for virtually all employees of State and local governments and all but very small nonprofit employers; these are exempt from FUTA.

Exclusions

As of January 1, 1978, the Federal law was broadened to include employees in agriculture of employers who have 10 or more workers or a quarterly payroll of at least \$20,000 in a calendar year and employers of household workers who have a cash payroll of at least \$1,000 in any calendar quarter. Employers who do not meet these requirements are excluded from liability.

BENEFITS

There are no Federal standards for benefits, qualifying requirements, benefit amounts, or duration of regular benefits. Hence there is no common pattern of benefit provisions comparable to that in coverage and financing. The States have developed diverse and complex formulas for determining workers' benefit rights.

Under all State unemployment insurance laws, a worker's benefit rights depend on his/her experience in covered employment in a past period of time, called the "base period". The period during which the weekly rate and the duration of benefits determined for a given worker apply to him/her is called his/her "benefit year".

The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. To qualify for benefits as an insured worker, a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment within the base period, or must have met some combination of wage and employment requirements. He/she must also be free from disqualification for causes which vary among the States. All but a few States require a claimant to serve a waiting period before his/her unemployment may be compensable.

All States determine an amount payable for a week for total unemployment as defined in the State law. Usually a week of total unemployment is a week in which the claimant performs no work and receives no pay. In most States a worker is partially unemployed in a week of less than full-time work when he/she earns less than his/her weekly benefit amount. The benefit payment for such a week is the difference between the weekly benefit amount and the part-time earnings, usually with a small deductible allowance as a financial inducement to take part-time work.

QUALIFYING WAGES AND EMPLOYMENT

All States require that an individual must have earned a specified amount of wages or must have worked for a certain period of time within his/her base period, or both, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

BENEFIT ELIGIBILITY AND DISQUALIFICATION

All State laws provide that to receive benefits, a claimant must be able to work, must be available for work and must be seeking work. Also he must be free from disqualification for such acts as voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work.

In all States, claimants who are held ineligible for benefits because of inability to work, unavailability for work, refusal of suitable work, or disqualification are entitled to a notice of determination and an appeal from the determination.

BENEFIT COMPUTATION

Weekly Benefit Amount--Most States measure unemployment in terms of weeks. Under all State laws a weekly benefit amount, that is, the amount payable for a week of total unemployment,

varies with the worker's past wages within certain minimum and maximum limits. The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States.

OTHER BENEFIT PROGRAMS

Federal-State Extended Benefits (EB)

Since 1970, Federal law has provided for the extension of the duration of benefits in periods of high unemployment. When the State rates of insured unemployment reach specified levels, each State must extend by 50 percent the benefit duration normally allowed, up to a combined overall maximum of 39 weeks. Half the cost of extended benefits paid during such periods, including any State benefits paid in excess of 26 weeks, is financed by the Federal Government out of Federal unemployment tax revenues.

EB Triggers

Mandatory--States must pay EB if the insured unemployment rate (IUR) for the previous 13 weeks is at least 5 percent and is 120 percent of the average rate for the same 13 week period in the two previous years.

Optional -- At its option, a State may pay EB if the average IUR for the previous 13 weeks is at least 6 percent, regardless of the experience in previous years.

Extended Benefits for Individuals who are Hospitalized or on Jury Duty. Provisions of State law which apply to availability for work for individuals who are hospitalized for treatment of an emergency or life-threatening condition, or who are on jury duty, may be applied similarly to claimants for extended benefits.

Unemployment Compensation for Federal Civilian Employees (UCFE)

The UCFE program provides unemployment benefits to Federal workers in the same amount and under the same general conditions as relate to UI benefits for other workers. The program is administered on behalf of the Federal Government by the State UI agencies. Costs of UCFE benefits are charged to the Federal agencies the wages of which constitute the basis for payment of benefits.

Unemployment Compensation for Ex-servicemembers (UCX)

UCX is a subsidiary program to UCFE. Payments are made under the following terms:

"Federal service" means active service (including active duty for training purposes for a continuous period of 180 days or more) in the armed forces or the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA); if with respect to such service --

- (A) the individual was discharged or released under honorable conditions (and, if an officer, did not resign for the good of the service); and
 - (B)(i) the individual was discharged or released after completing his/her first full term of active service, or
 - (ii) the individual was discharged before completing such term--
 - (a) for the convenience of the Government,
 - (b) because of medical disqualification, pregnancy, parenthood, or service-incurred injury or disability,
 - (c) because of hardship, or
 - (d) because of personality disorder or inaptitude, but only if the service was continuous for 365 days or more.
- o Benefits are not payable before the fifth week beginning after the week of discharge or release.
 - o The aggregate amount of compensation under this or any other Federal law shall not exceed 13 times the individual's weekly benefit amount for total unemployment (including payments under EB).

Disaster Unemployment Assistance

The program provides benefits to individuals unemployed because of a major natural disaster, as declared by the President.

CURRENT PROPOSALS FOR CHANGE

In recent years, many proposals for change in the UI system have been proposed by the Administration and by members of Congress. These may be forerunners of actions to come.

Current President's Proposals

- o Devolution to the States of Administrative Financing and Management of the UI System.-

The President's FY 1986 Budget states:

"Working with the States, the administration is developing legislation that it will propose to devolve to the States, beginning in 1988, full responsibility for managing and financing their employment and unemployment insurance services. The Federal unemployment tax will be reduced accordingly, freeing tax resources for the States. The legislation would become effective in 1988, allowing the States time to adjust their laws. The proposal would encourage efficiency in State administration by increasing the flexibility with which States carry out their programs. Certain employment services designed to meet national needs would continue to be financed with grants under specific agreements with the States."

- o Merging the Railroad Unemployment Insurance program into the Federal-State UI system.

The President's FY 1986 Budget states:

"Without legislative action, the railroad sickness and unemployment insurance fund will be unable to pay full benefits on a timely basis during 1986. The budget proposes to ensure comprehensive, uninterrupted unemployment insurance coverage for rail workers by extending Federal-State unemployment insurance coverage to railroad employment beginning with a transitional program. Under this proposal, all rail workers becoming unemployed after September 30, 1985 would be eligible for the generally higher maximum weekly benefits available under the Federal-State Program. Railroads would reimburse States for the costs of benefits paid during the transition, allowing States time to gain experience with railroad employment before regular State unemployment insurance contributions from the railroads begin. This proposal would ensure full repayment of the rail sickness and unemployment fund's debts to the rail pension fund."

The Railroad Unemployment Insurance fund has been in deficit for many years and has been borrowing from the Railroad Pension Account. As a result, the viability of that account is now in jeopardy and unless action

is taken by no later than September 30, 1985, retirement payments may be reduced for a large segment of railroad retirees.

A special committee, appointed by Congress, reported on June 29, 1984, on the mechanics of a possible merger that would end the Railroad Unemployment Insurance (RRUI) system, continue the railroad sickness insurance system and make provisions for repayment of RRUI debts to the RR Retirement Fund. With respect to merging RRUI into the regular UI system, both employee and public representatives were opposed, supporting continuation of the present arrangement, but no solution was offered to long-range financing problem. Employer representatives were somewhat ambivalent -- they too expressed a preference for continuation of the present independent system but were willing, as a fall-back position, to accept merger into the regular UI system. However, in April 1985, at a hearing before the House Commerce Committee, they withdrew any endorsement of merger and expressed unanimity with the employee and public members of the special committee.

Some part of this employer opposition to the proposed merger may be attributed to the fact that employers would be required to pay off past debts of the RRUI system while also paying current FUTA and State UI taxes.

Congressional Proposals

There is considerable interest in additional benefits for individuals exhausting regular UI benefits, including changes in the EB program, extending the recently terminated FSC program, establishing an expanded EB program to include additional duration similar to FSC, revising EB triggers to reduce the IUR percentages which trigger the program ON and OFF; adding as an alternative or substitute trigger one based on the rate of total unemployment (TUR); and adding as an alternative or a substitute for State triggers the use of a variety of substate areas.

Exclusive of EB/FSC proposals, the following is an illustrative list of UI and UI-related bills introduced in the 99th Congress in the period January-May, 1985:

- o INDIVIDUAL TRAINING ACCOUNT PROGRAM. Would establish a system of individual training accounts (ITAs) that would permit employees to make tax deferred

contributions, matched by employer contributions, over time, to a maximum of \$4,000. The employee, when unemployed, could draw on this account for costs of training or relocation.

- o EXTENSION OF TRADE ACT. Extend the Trade Adjustment Assistance Program for an additional 6 years--to September 30, 1991. Other revisions have also been proposed, placing emphasis upon training rather than providing for cash assistance.
- o FEDERAL UI FOR DISLOCATED WORKERS. Would provide up to 10 weeks of benefits, beyond current entitlement, for workers who are participating in a job training program for workers under the Job Training Partnership Act (JTPA).
- o BROADEN FEDERAL INTEREST IN SHORT TIME COMPENSATION. States authorized to establish a short time compensation (STC) program for payment of UI to an individual who voluntarily reduced his/her working hours for time spent in State-approved training if the worker is employed in an industry with declining employment.
- o ENCOURAGE WORKERS IN DECLINING INDUSTRY TO ENTER TRAINING. States authorized to permit payment of UI to an individual who quits a job in an establishment which is experiencing a major reduction in employment--for weeks in which the individual is satisfactorily participating in training approved by the State.
- o ADDITIONAL BENEFIT PAYMENTS FOR WORKER IN TRAINING. States authorized to provide additional UI payments to an individual who is in an approved training program, including those who quit a job to enter such a training program. An individual could elect at any time during the first 8 weeks of UI benefit eligibility to receive a weekly benefit equal to 125 percent of the regular weekly benefit amount payable for the lesser of twice the number of weeks of UI eligibility remaining in the regular UI entitlement or for the duration of the training program. Also provides for a "cash-out" for those who fail to participate satisfactorily in or to complete the training program.

- o DEMONSTRATION PROJECTS TO EVALUATE EFFECTIVENESS OF PLAN TO OFFER RETRAINING, EDUCATION, AND RELOCATION ASSISTANCE IN LIEU OF EB OR OTHER ADDITIONAL BENEFITS. Secretary of Labor would enter into agreement with two states (for a period of 3 years) to establish programs to demonstrate the effectiveness of allowing individuals eligible for regular UI to have the option of receiving retraining, education, and relocation assistance in lieu of EB and any other additional compensation payable in the State at the time the individual applies for regular UI. In the case of retraining, the State may pay an employer who hires such an individual an amount up to the cash value of the training. The Federal share of cost would be the same as the amount for which the State has been entitled for EB or any other additional benefits if such compensation had been paid.

- o DEMONSTRATION PROJECTS TO PROVIDE UI AS LUMP SUM FOR PURPOSE OF FUNDING SELF-EMPLOYMENT. Authorizes Secretary of Labor to enter into agreements with at least 5, and no more than 10, States to provide lump sum self-employment allowances in lieu of UI and EB and any other additional allowances payable on date of individual's application. Project would apply to up to 5 percent of the number of individuals in the State eligible to receive regular UI.

- o PROMOTE TRAINING PROGRAMS FOR UI RECIPIENTS. Would require, as a condition of certification for FUTA offset credit, that each State: (1) designate a State agency to determine approved training programs, and (2) designate a State agency to determine eligibility of individuals to participate in approved training programs. In the case of a State which has outstanding interest-bearing loans, the amount of interest due for any fiscal year shall be reduced by the amount paid during such fiscal year, as UI to individuals who while receiving such UI were in State-approved training. Provisions of the act would not be taken into consideration in determining whether there has been a net decrease in solvency in any State UI system.

FIFTY YEARS OF UNEMPLOYMENT COMPENSATION

A Legislative History: 1935-1985

Appendices

APPENDIX I

Capsule Chronology:

MAJOR FEDERAL LEGISLATION RELATING TO UNEMPLOYMENT INSURANCE

- 1935 - Social Security Act becomes law. Includes framework for the Federal-State UI system.
- 1937 - All States have legislation enacted for participation in Federal-State system.
- 1937 - U.S. Supreme Court upholds constitutionality of Federal-State UI provisions of Social Security Act and of Alabama UI law.
- 1938 - Railroad Unemployment Insurance Act initiates separate system for railroad employees.
- 1939 - All States paying UI benefits.
- 1944 - Servicemen's Readjustment Act ("GI Bill of Rights") includes program of readjustment allowances for unemployed and certain self-employed veterans. Program administered nationally by the Veterans Administration, in States by unemployment insurance agencies.
- 1952 - Veterans' Readjustment Assistance Act provides UI benefits for veterans of the Korean conflict.
- 1954 - New Title XV of Social Security Act (now Chapter 85 of Title 5, United States Code) provided UI system for Federal civilian employees (UCFE).
- 1954 - FUTA coverage extended to employers of 4 or more (from original 8 or more).
- 1958 - Temporary Unemployment Compensation Act (TUC) extends benefits to exhaustees in States which elected to participate; Federal advances were repayable by States.
- 1958 - Ex-Servicemen's Unemployment Compensation Act (UCX) provides permanent UI program for individuals leaving the Armed Forces.
- 1961 - Temporary Extended Unemployment Compensation Act (TEUC) extends benefits to exhaustees in all States, under Federally-funded program.

- 1962 - Trade Expansion Act provides adjustment assistance for workers adversely affected by trade agreements. (Strengthened by Trade Act of 1974.)
- 1969 - Disaster Relief Act (DRA) assists individuals unemployed as a result of a major disaster. (Extended in 1974.)
- 1970 - Employment Security Amendments extends coverage to employers of one or more and certain other groups; provides permanent extended benefit (EB) program; and increases FUTA taxable wage base from the \$3,000 effective since 1939 to \$4,200.
- 1971 - Emergency Extended Unemployment Compensation Act temporarily provides up to 13 weeks of benefits to exhaustees of regular and extended benefits. Federally funded.
- 1971 - U.S. Supreme Court requires prompt benefit payment after a favorable determination for the claimant during pendency of any subsequent employer appeal.
- 1974 - Special Unemployment Assistance Program (SUA) provides a temporary program of benefits for workers not covered but otherwise eligible under State UI law.
- 1974 - Federal Supplemental Benefits Program (FSB) furnishes up to 13 weeks (later up to 26 weeks) of benefits to regular UI claimants who had exhausted all other entitlement.
- 1976 - Unemployment Compensation Amendments broadens coverage to State and local governments and certain agricultural and household employers; increases FUTA tax rate and wage base, and revises EB triggers.
- 1978 - Revenue Act of 1978 provides for taxation for Federal income tax of portion of UI paid to those whose total income exceeds prescribed limits.
- 1980 - Omnibus Budget Reconciliation Act amends EB program, and provides that UCFE costs be paid by each employing agency.
- 1981 - Omnibus Budget Reconciliation Act revises EB triggers and eligibility requirements; amends UCX program; amends provisions relating to loans to States including payment of interest on new loans; and makes major changes in Trade Adjustment Assistance.

- 1982 - Tax Equity and Fiscal Responsibility Act (TEFRA) establishes program of Federal Supplemental Compensation (FSC) payable to exhaustees of regular UI and, where applicable, EB; increases FUTA tax rate and taxable wage base; and reduces income levels at which UI benefits are partially taxable under Federal income tax; changes provisions relating to loan repayment and interest requirements; and encourages State development of worksharing plans.

- 1982 - Miscellaneous Revenue Act again changes eligibility requirements under UCX and charges UCX costs to Department of Defense; and amends Trade Act.

- 1983 - Surface Transportation Act includes changes in FSC; revises FUTA/Social Security Act provisions relating to interest and credit reductions relating to loans.

- 1983 - Amendments to FSC Act changes provisions relating to interest on loans.

- 1983 - Amendment to International Coffee Agreement Act includes reauthorization of Trade Act to September 30, 1985.

- 1984 - Deficit Reduction Act (DRA) requires that all States have or establish a system of quarterly wage reports by employers.

- 1985 - Amendment to FSC provides phase-out for current entitlement for claims in effect on March 31, 1985.

APPENDIX II

SIGNIFICANT PROVISIONS OF FEDERAL LAWS CONCERNING UNEMPLOYMENT INSURANCE ENACTED: 1935 - 1985

1. August 1935 (P.L. 74-271, Approved 8/14/35). The Federal Social Security Act was enacted August 14, 1935, and declared constitutional by the U.S. Supreme Court May 24, 1937. The original tax, coverage and other provisions of the Act have been described in the section of this publication headed: Social Security Act As Enacted. The Act established the basic framework of the Federal-State system of unemployment insurance. Key provisions, including the device of allowing credit against the Federal tax for taxes paid under a State law that meets Federal law requirements; Federal financing of administrative costs; and substantial State autonomy over all substantive elements of self-contained unemployment insurance laws--have not been fundamentally altered in 50 years.
2. June 1938 (P.L. 75-722, Approved 6/25/38). The Railroad Unemployment Insurance Act provided for a special Federal system of unemployment insurance for the railroad industry, which is excluded from the Federal Unemployment Tax.
3. February 1939 (P.L. 76-1, Approved 2/10/39). The taxing provisions in Title IX of the Social Security Act were moved to the Internal Revenue Code.
4. August 1939 (P.L. 76-379, Approved 8/10/39). The tax base under the Federal Unemployment Tax Act was limited to the first \$3,000 of a covered worker's earnings.

Further coverage exclusions were added:

(1) newsboys under 18; (2) student nurses and interns in a hospital; (3) insurance agents or solicitors on commission only; (4) domestic service in a college club or fraternity; (5) casual labor not in the employer's trade or business; (6) students employed in a school where they are enrolled, if they earn \$45 or less in a calendar quarter.

Coverage was extended to (1) Federal instrumentalities not wholly owned by the Federal Government, such as national banks and State bank members of the Federal Reserve System; (2) instrumentalities not wholly owned by State and local governments, unless they have constitutional immunity.

States were required to establish merit systems for personnel who administer the unemployment insurance program.

5. September 1944 (P.L. 78-346). Although not strictly unemployment insurance as such, Servicemen's Readjustment Allowances functioned in such a role. The Servicemen's Readjustment Act of 1944 (the "G.I. Bill of Rights") provided readjustment allowances of \$20 a week for a maximum of 52 weeks to unemployed veterans of World War II and to self-employed veterans with net monthly profits under \$100. For most veterans, this program ended in July 1952. Administration was by the Veterans Administration and State unemployment insurance agencies.
6. October 1944 (P.L. 78-458, Approved 10/3/44). A loan fund was established under the War Mobilization and Reconversion Act of 1944 providing for Federal loans to States whose revenues were inadequate for the increased benefit payments expected to result from the reconversion to peace. This fund was never used and the legislation lapsed.
7. December 1945 (P.L. 79-291) Approved 12/29/45). FUTA 3306(c)(16) added an exclusion for service performed for an international organization.
8. August 1946 (P.L. 79-719, Approved 8/10/46). Coverage was extended to maritime service. A State could cover the crew of an American vessel if the operating office was within the State. Provided that States could withdraw employee contributions from the fund for payment of benefits under a temporary disability insurance program.

Seamen formerly employed by the U.S. War Shipping Administration were eligible for Reconversion Unemployment Benefits for Seaman paid under the law of the State in which they filed the claim. This program ended on June 30, 1950.

Amended FUTA by adding Sec. 3306(c)(17), providing for exclusion of services performed by a fisherman except for commercial halibut or salmon fishing or on a boat of more than 10 net tons.

Also amended FUTA 3304(a)(4) to permit states to withdraw the amount of prior employee payments to the fund to establish a system of cash benefits to individuals in a system of temporary sickness and disability insurance.

9. July 1947 (P.L. 80-226, Approved 7/24/47). Voluntary contributions used in the computation of tax rates under experience rating was permitted.
10. April 1948 (P.L. 80-492, Approved 4/20/48). By FUTA 3306(c)(15), added exclusion of services performed by a news agent.

11. June 1948 (P.L. 80-642, Approved 6/14/48). Following a Supreme Court decision, the term "employee" in the Federal Unemployment Tax Act was limited to employees under the common law rule of "master-servant" relationship, retroactive to 1939. Federal coverage was withdrawn from some 500,000 persons, including outside salesmen.
12. August 1950 (P.L. 81-734, Approved 8/28/50). Amended FUTA 3304(c) by adding a notice that a finding of non-certification will become effective 90 days after the Governor has been notified of the finding unless the state has in the interim amended its law. Also specified that no finding of failure to comply with the labor standards would be based on an interpretation of state law with respect to which further administrative or judicial review was provided for under State law.

Amended FUTA to provide that wages paid by a successor employer would be included with that paid by predecessor employer in meeting the \$3,000 limit when the successor acquired substantially all the predecessor's property.

Amend FUTA 3306(b) to exclude from "wages":

- (1) payments made to an employee on account of retirement;
- (2) payments made for sickness or accident to an employee 6 months after the employee last worked for the employer;
- (3) payments made to an employee from a trust fund as beneficiary of the trust;
- (4) remuneration paid in other than cash for service not in the course of the employer's business; and
- (5) any payment made to an employee after he reached his 65th year if he had not been working for the employer.

Amended FUTA 3306(c)(3) to redefine exclusion for casual labor not related to employer's usual course of business.

Amended FUTA 3306(c)(10) to increase limit on exclusion of wages earned from a nonprofit organization for part-time service, from \$45 to \$50. Deleted the \$45 wage requirement for services performed by students for schools.

13. October 1952 (P.L. 82-550). Korean War Program. The Veterans Readjustment Assistance Act of 1952 (UCV program)

provided up to 26 weeks of benefits at \$26 a week or a maximum total of \$676 to unemployed veterans of the Korean conflict discharged between June 27, 1950, and February 1, 1955. Federal supplements raised the State weekly benefit amount to \$26 or paid the veteran after he exhausted State benefits. This program ended for most veterans on July 26, 1958 (except for those who served in the war and continued in the service), and for all on January 31, 1960.

14. August 1953 (P.L. 83-196, Approved 8/5/53). Amended FUTA to permit States to cover services performed by general agents of the Secretary of Commerce in connection with American vessels owned or chartered to the U.S. under the following conditions:

- (1) FUTA 3305(g). Those general agents are designated instrumentalities of the U.S.;
- (2) FUTA 3305(h). State may require contributions from persons having employees on such vessels and require the Secretary of Commerce's agents to make contributions for both unemployment compensation and temporary disability insurance;
- (3) FUTA 3305(i). Each general agent as described above is a legal entity in his capacity as an employer on his own account; and
- (4) FUTA 3306(n). Added definition of general agents as applied to vessels operated by such agents of the Department of Commerce.

15. August 1954 (P.L. 83-567, Approved 8/5/54) (Referred to as the "Reed Act" after its sponsor Congressman Reed). The Employment Security Administrative Financing Act of 1954 earmarked all proceeds of the Unemployment Tax Act to unemployment insurance purposes by automatically appropriating to the Federal Unemployment Trust Fund any annual excess of Federal tax receipts over employment security administrative expenditures approved by the Congress.

This bill also created a loan fund to provide interest-free loans to States whose unemployment insurance trust funds fell below the amount they paid out in benefits for the previous year. A State had four years to repay before its Federal tax was increased as a means of repayment. The act also provided for the return to the States of any excess above a \$200 million reserve in the Loan Fund, to be used for paying benefits and, under certain conditions, for

State administrative expenses, including buildings (Referred to as the "Reed Act").

16. August 1954 (P.L. 83-591, Approved 8/16/54). Amended FUTA 3306(c)(8) to include organizations that test for public safety in the list of nonprofit organizations for which services were excludable.
17. September 1954 (P.L. 83-767, Approved 9/1/54). States were allowed to reduce the tax rate for newly covered employers with at least one year's (instead of three years') experience with the risk of unemployment.

Title XV of the Social Security Act, the Unemployment Compensation for Federal Employees (UCFE) program, extended coverage to Federal civilian employees employed after December 31, 1954, subject to benefit provisions of State laws.

Coverage was extended effective January 1, 1956, to employers of four or more workers in 20 weeks in a calendar year.

18. June 1958 (P.L. 85-441, Approved 6/4/58). The Temporary Unemployment Compensation Act of 1958 (TUC) permitted any State which signed an agreement with the U.S. Secretary of Labor to pay extended benefits of half the regular duration to individuals who had exhausted benefits after June 30, 1957, and before April 1, 1959 (up to 13 additional weeks of benefits to such workers).

The Federal Government financed the program through loans to participating States which they repaid by a reduction in the FUTA tax offset credit for 1973 and thereafter, if the amount had not been repaid to the Federal Treasury by November 10 of the taxable year. The TUC program began on June 23, 1958, and ended 1959--on April 10, or for Federal employees and veterans on June 30. This was the first of many temporary emergency programs to deal with recessions.

19. August 1958 (P.L. 85-840, Approved 8/28/58). The Internal Revenue Code was amended to exempt unemployment insurance from income taxation, to clarify prior interpretations to this effect.
20. October 1958 (P.L. 85-848, Approved 8/28/58). The Ex-servicemen's Unemployment Act of 1958 (UCX), a permanent program, provided benefits for veterans under the law of the State in which the claim was filed. This provided a peacetime program to coincide with the end of special coverage for Korean veterans.

21. September 1960 (P.L. 86-778, Approved 9/13/60). Revised Title XII, the Social Security Act, to provide that advances from the Federal Loan Fund be made to only those States which were unable to meet benefit claims in the current or following month, and limited the amount to that required for one month's benefits. Recovery of the funds advanced through an increase in the Federal unemployment tax was to begin in 2 years instead of 4.

Effective January 1, 1961, coverage under the Unemployment Compensation for Federal Employee (UCFE) program was extended to certain instrumentalities that were neither wholly nor partially covered by FUTA, such as Federal Reserve banks, land banks, and credit unions.

Puerto Rico was brought into the Federal-State system. Effective January 1, 1961. Coverage was extended to employees on American aircraft working outside the United States; nonprofit institutions not exempt from income tax; "feeder organizations" of nonprofit institutions; and various employees of certain income tax-exempt organizations (except persons who earned less than \$50 in a calendar quarter or who were students).

The Federal payroll tax was increased from 3.0 to 3.1 percent without change in the 2.7 percent offset provision, thus increasing the Federal share of the tax which cannot be offset from 0.3 to 0.4 percent. Receipts from this 0.4 percent tax were credited to a new Employment Security Administration Account, from which an annual maximum of \$35 million was allowed for State administration. At the end of each fiscal year, the excess amount was to be transferred to the Federal Unemployment Account (Loan Fund) to build up a balance of \$550 million (formerly \$200 million) or 0.4 percent of taxable payrolls, if higher. Any surplus over this stipulated ceiling was to be returned to the States.

22. March 1961 (P.L. 87-6, Approved 3/24/61). The second temporary emergency program to respond to recession, the Temporary Extended Unemployment Compensation Act (TEUC) of 1961, provided for Federally financed extended benefits of one-half the regular benefit entitlement up to a maximum of 13 weeks, and a combined maximum of 39 weeks, to workers, including Federal civilian employees and ex-servicemen, who exhausted regular benefits after June 30, 1960, and before April 1, 1962.

States which paid either regular benefits or State additional benefits beyond 26 weeks were reimbursed for such added benefits, which counted toward the 13 weeks Federal benefit maximum.

The program, which expired June 30, 1962, was financed by a temporary additional Federal unemployment tax of 0.4 percent for 1962 and 0.25 percent for 1963.

23. September 1961 (P.L. 87-256, Approved 9/21/61). Added FUTA 3306(c)(18), providing exclusion for services performed by a nonresident alien while temporarily in the U.S. as a nonimmigrant.
24. September 1961 (P.L. 87-321, Approved 9/26/61). Amended FUTA 3302(e) to permit extra tax credits for successor employers.
25. January 1963 (P.L. 87-734, Approved 1/1/63). Excluded from wages under FUTA payments made to an employee under a bond purchase plan.
26. November 1963 (P.L. 88-173, Approved 11/7/63). Amended provisions of P.L. 86-778, relative to State loans, to provide that an increase in FUTA tax to recover such loans was to be waived if State made voluntary repayments.
27. November 1964 (P.L. 88-650, Approved 11/1/64). Excluded from wages under FUTA remuneration paid to an employee if a corresponding deduction was allowable under section 217 of the Internal Revenue Code (dealing with payment by the employer of moving expenses of an employee).
28. January 1968 (P.L. 90-248, Approved 1/2/68). Excluded from wages under FUTA remuneration by an employer on the termination of an employee's job because of death, disability retirement, or age retirement benefits.
29. August 1969 (P.L. 91-53, Approved 8/7/69). Amended FUTA, effective January 1, 1970, to provide that the previous taxable year was added to the current taxable year to determine who met the size of firm criterion of four or more employees.
30. August 1970 (P.L. 91-373, Approved 8/10/70). Major reforms of the unemployment insurance system were accomplished in the Employment Security Amendments of 1970, involving both programmatic and structural changes.

The Federal unemployment tax was increased to 3.2 percent with 0.5 percent apportioned to the Federal Government, effective January 1970. Receipts from the 0.1 percent increase were earmarked in 1970 and 1971 for a new Federal Extended Unemployment Compensation Account.

The Employment Security Amendments of 1970 also provided for judicial review of adverse determinations by the U.S. Secretary of Labor in State conformity or compliance proceedings. States are permitted to appeal to a U. S. Circuit Court of Appeals.

The U.S. Secretary of Labor was to establish a Federal unemployment insurance research program, a Federal program of grants to train unemployment insurance personnel (Federal and State) and a Federal Advisory Council on Unemployment Compensation, composed of individuals representing management, labor, and the public, to review the program and recommend improvements.

The 1970 amendments repealed a Federal statute that denied unemployment benefits to ex-servicemen during periods to which military terminal leave was allocated. Exservicemen were to be treated similarly to all unemployed workers under State law as to their accrued military leave.

The 1970 amendments created the Extended Unemployment Compensation Program, a permanent program to extend duration of benefits during recessions. The national program triggered on after January 1, 1972, whenever the seasonally adjusted insured employment rate for the nation was 4.5 percent or more for 3 consecutive months.

A State was permitted to institute such a program on or after October 10, 1970, to become operative whenever its insured unemployment rate averaged 4 percent or more for 13 consecutive weeks and was at least 20 percent higher than the average of such rates for the corresponding 13-week periods in the 2 preceding years.

An extended benefit period ended when the specified unemployment conditions nationally and within the State no longer existed, but were required to remain in effect at least 13 weeks in any State. Claimants who exhausted regular benefit rights during an extended benefit period were eligible for up to 13 additional weeks of benefits or the equivalent of half of the maximum weeks of regular benefits in the State, if that was less, with a 39-week ceiling in total benefits (regular plus extended).

The Federal Government funded half of the extended benefit cost, financing the program by receipts for 1970 and 1971 from a 0.1 percent increase in the Federal tax receipts. An Extended Unemployment Compensation Account was established with a ceiling of \$750 million or 0.125 percent of total wages in covered employment, if larger. Any remainder was to be retained in the Employment Security Administration Account.

The Federal Unemployment Account (Loan Fund) ceiling was changed to \$550 million or 0.125 percent of total wages in covered employment, whichever was larger.

When all three accounts reached their statutory limits and when any advances from Treasury general funds had been repaid, any excess was to be distributed to accounts of the individual states.

Effective January 1, 1972, coverage was extended to (1) employers who had one or more employees performing service in 20 weeks in a calendar year or a quarterly payroll of \$1500; (2) nonprofit organizations of four or more employees (excluding churches, religious organizations, and primary or secondary schools), State hospitals and State institutions of higher education (by requiring States to provide mandatory coverage); (3) outside salesman and agents and commission drivers; (4) certain categories of agricultural processing workers; and (5) U.S. citizens working for American firms outside the U.S. (who were required to file their benefit claims in person within the U.S.). College faculty and other professional workers in colleges were covered but were not eligible for benefits (based on college employment) in summers or between terms if they have a contract to resume such work. States could exclude, from otherwise required coverage, students' spouses employed by schools under certain conditions, and workers in hospitals in which they were patients.

States were required to give covered nonprofit organizations the alternatives of either reimbursing the fund for benefit charges based on work performed for them or of paying taxes on the same basis as other employers. States were required to extend to municipal corporations or other governmental subdivisions the right to elect coverage for hospitals and colleges which they operate but if they did so elect, they were required to make reimbursements in the amount of benefits paid in lieu of contributions.

Effective January 1, 1972, the taxable wage base was raised to \$4,200.

New employers in a State could be assigned a reduced rate of not less than 1 percent on a reasonable basis other than experience with unemployment.

Effective January 1, 1972, State laws were required to include these provisions:

- (1) Benefits may not be paid in a second successive benefit year unless the claimant had some employment since the beginning of the preceding benefit year.
 - (2) Benefits may not be denied to workers who are in approved training.
 - (3) Benefits may not be reduced or denied because a person who has worked in one State files his claim in another State or Canada.
 - (4) States must participate in arrangements for combining wage credits when the earnings are in two or more States.
 - (5) Cancellation of wage credits or total reduction in benefit rights is prohibited except for misconduct in connection with a claim, or receipt of disqualifying income, such as part-time employment.
31. December 1970 (P.L. 91-606, Approved 12/31/70). Disaster Relief Act of 1970 authorized the President to provide an individual unemployed as a result of a major disaster any assistance he deemed appropriate, but no more than the maximum benefits and duration available under the UI law of the state in which the disaster occurred. Benefits were payable under this Act from January 1971 through April 1974 when this Act was superseded by the Disaster Relief Act of 1974.
32. December 1971 (P.L. 92-224, Approved 12/29/71). The Emergency Unemployment Compensation Act of 1971 created a new temporary program providing additional extended benefits, effective January 30, 1972, and ending September 30, 1972.

Financed entirely by the Federal Government, the program triggered on for a State when its insured unemployment rate, plus an adjustment rate for exhaustees, was 6.5 percent or more, provided the trigger for payment of benefits under the Federal State Extended Unemployment Compensation Act of 1970 was in effect or had terminated solely because the State no longer met the requirement of

an insured unemployment rate of at least 120 percent of the average of the rates for the corresponding periods of the two preceding years. During this emergency benefit period a claimant was eligible for either up to 13 more weeks of benefits or half of the State's maximum of regular benefits, whichever was less.

The Reed Act (P.L. 83-567), authority for States to use funds returned as surplus FUTA tax receipts for administrative purpose, due to expire in 1973, was extended to 1983.

33. June 1972 (P.L. 92-329, Approved 6/30/72). The Emergency Extended Unemployment Compensation Act of 1971 was extended to March 31, 1973. To finance this extension, the Federal unemployment tax for 1973 was increased from 3.2 percent to 3.28 percent, the Federal share of which was 0.58 percent.
34. October 1972/October 1976. Between October 1972 and the end of 1976, 7 bills were enacted by the Congress suspending temporarily the 120 percent requirement of the permanent extended benefit program provided in Public Law 91-373. P.L. 93-572, approved December 31, 1974 (Federal Supplemental Benefits), waived the 120 percent before December 31, 1976, and beginning after December 31, 1974) and changed the national "off" and "on" triggers specified in the State laws from 4.5 percent to 4.0 percent for the same period. The last such bill, P.L. 94-566, approved October 20, 1976, permitted States permanently to waive the 120 percent factor when the State insured unemployment rate reaches 5 percent. The provision applied to weeks beginning after March 30, 1977. The list of these bills is as follows: (1) P.L. 92-259, approved October 27, 1972; (2) P.L. 93-53, approved July 1, 1973; (3) P.L. 93-233, approved December 31, 1973; (4) P.L. 93-256, approved March 28, 1974; (5) P.L. 93-329, approved June 30, 1974; (6) P.L. 93-572, approved December 31, 1974 and (7) P.L. 94-566 approved October 20, 1976.
35. May 1974 (P.L. 93-288, Approved 5/22/74). Disaster Relief Act of 1974 authorized President to provide appropriate assistance to individuals unemployed as result of a major disaster. Assistance was to continue no longer than one year after the major disaster was declared. Amount of disaster assistance was deductible from regular UI and could not exceed the maximum weekly benefit amount of the State in which disaster occurred. The program operated through agreements with state agencies. This program continues in effect.

36. December 1974 (P.L. 93-567, Approved 12/31/74). The "Emergency Jobs and Unemployment Assistance Act" provided wholly Federally financed Special Unemployment Assistance (SUA) to individuals who had no benefits rights under the terms of the applicable State unemployment insurance law subject to certain modifications. All of their employment and wages during the base period was to be considered, whether or not covered under the State unemployment insurance law. The base period to be used, regardless of the provisions of the State unemployment insurance law, was the 52-week period immediately preceding the filing of a valid initial claim for SUA. The maximum duration of SUA for any individual was 26 weeks.

This program, originally scheduled to expire at the end of 1975, was extended by P.L. 94-566 for new claims to January 1, 1978 and for continued claims to July 1, 1978.

37. December 1974 (P.L. 93-572, Approved 12/31/74) and other Federal Supplemental Benefits (FSB) amendments. This act created an emergency unemployment compensation program in which States could participate under agreement with the Secretary of Labor. Up to 13 weeks of wholly Federally financed Federal Supplemental Benefits (FSB) were paid to individuals who had exhausted all regular and extended benefits to which they were entitled. Benefits were not payable before January 1, 1975 and not after December 31, 1976, for new claims and March 31, 1977 for continued claims. Benefits were payable on the basis of the same triggers as in the extended benefits program.

P.L. 94-45 (approved 6/30/75) also added that, in order for an FSB trigger to be on, not only must the State and national triggers be on, but the insured unemployment rate in the State for the preceding 13-week period must equal at least 5.0 percent. It limited the maximum duration of benefits in a 5.0 percent period to 13 weeks. It extended the program for all claimants until March 31, 1977.

P.L. 95-19 (approved 4/12/77) limited the payment of emergency benefits so that no such payment was made more than 2 years after the end of the benefit year for which the claimant exhausted regular benefits; reduced the length of an emergency benefit period from 26 to 13 weeks; extended the program to November 1, 1977, for new claims and February 1, 1978 for continued claims; added special Federal disqualifications for refusal of suitable work and failure to actively seek work; defined suitable work for the FSB program; and added special penalty and repayment provisions for fraudulent acts on the part of either

claimant or employer. The act also provided general revenue financing of FSB from April 1, 1977.

38. January 1975 (P.L. 93-618, Approved 1/3/75). Trade Adjustment Assistance Program. Effective from April 3, 1975; program expired September 30, 1982. Trade Adjustment Assistance for workers paid benefits to workers adversely affected by imports. Weekly benefit amount was 70 percent of worker's average weekly wage--up to a maximum of the average national weekly wage paid to workers in manufacturing--up to 52 weeks of benefits. Programs operated through agreements with states.

Amended provisions of FUTA 3302(c) to add new subparagraph 3302(c)(4) reducing tax credits of employers in States without a trade agreement with the Secretary or where the agreement was not satisfactorily fulfilled, by 15 percent of the FUTA tax.

39. June 1975 (P.L. 94-45, Approved 6/30/75). In addition to amending the FSB program (see above), this act provided for a 3-year deferral of the tax credit reduction provisions applicable to borrowing States provided they met conditions prescribed by the Secretary of Labor.
40. October 1976 (P.L. 94-444, Approved 10/1/76). This act provided for Federal reimbursement to the States for unemployment insurance paid to individuals separated from public service jobs under the Comprehensive Employment and Training Act (CETA).
41. October 1976 (P.L. 94-566, Approved 10/26/76). The Unemployment Compensation Amendments of 1976 provided another major set of changes in the unemployment insurance system.

Title I of the Unemployment Compensation amendments of 1976 contained the following provisions concerning coverage:

- (1) Effective January 1, 1978, coverage was extended to:
- (a) agricultural labor for employers with 10 or more workers in 20 weeks or who paid \$20,000 or more in cash wages in any calendar quarter;
 - (b) household workers of employers who paid \$1,000 or more in any calendar quarter for such services;
 - (c) State and local governments with certain minor exceptions; and
 - (d) employees of nonprofit elementary and secondary schools.

- (2) The Virgin Islands was permitted to become part of the Federal-State unemployment insurance system.
- (3) A transition was provided from coverage under SUA to coverage under the regular UI program by stipulating that if a State agreed to pay benefits to qualified newly covered workers as of January 1, 1978, based on wages earned prior to that date, benefits paid through June 30, 1978 or after, which were based on newly covered wages earned prior to January 1, 1978, would be reimbursed from general Federal revenues. The Federal reimbursement was to be based on the ratio of a claimant's otherwise uncovered wages to his total base period wages.

A State was permitted, by State law, to provide that neither contributions-paying employers nor reimbursing employers were liable for the cost of benefits for which the State was reimbursed under the terms of the transition provisions.

- (4) Special Unemployment Assistance (SUA) was extended until December 31, 1977, for new claims and the program terminated for all claimants on June 30, 1978.

Title II of the 1976 amendments contained the following financing provisions:

- (1) The taxable wage base was increased from \$4,200 to \$6,000 as of January 1, 1978.
- (2) The net Federal tax rate was increased from 0.5 percent to 0.7 percent as of January 1, 1977, and was to be reduced back to 0.5 percent after all advances to the Federal extended unemployment compensation account had been repaid. The proportion of Federal Unemployment Tax Act revenues allocated to the Federal extended unemployment compensation account was increased from 1-tenth to 5-fourteens of a percent as long as the net Federal tax rate remained 0.7 percent.
- (3) Any sharing by the Federal Government of costs of extended benefits based upon services performed by workers for State and local governments, was prohibited, effective January 1, 1979.
- (4) States were allowed to request loans from the Federal Unemployment Trust Fund to pay benefits for a 3-month period, rather than a 1-month period, but funds continued to be paid to States only on a month-to-month basis.

- (5) Pro-rata sharing of benefit costs was provided when a individual's unemployment compensation benefits were based on both Federal and non-Federal employment. Federal share would be based on the ratio of Federal wages to total base period wages.

Title III contained the following provisions: [relating to extended benefits]

- (1) Effective for weeks beginning after March 30, 1977, the triggers were modified in the extended benefits program to provide for the payment of extended benefits (benefit weeks 27 through 39) in a State when either of the following conditions was met:
 - (a) there was a seasonally adjusted national insured unemployment rate of 4.5 percent, based on the most recent 13-week period; or
 - (b) the unadjusted State insured unemployment rate was 4.0 percent, based on the most recent 13-week period, and the rate was 20 percent higher than the State's average insured unemployment rate for the corresponding 13-week period in the two preceding years. However, this latter condition could be waived by State law whenever the unadjusted insured unemployment rate was 5 percent or more.
- (2) Disqualification for unemployment compensation benefits solely on the basis of pregnancy was prohibited.
- (3) Federal employees were afforded the same unemployment compensation appeal procedures available to other unemployment compensation claimants in contesting the determination of the employing agency on the issue of cause of separation from work and work history.
- (4) State UI laws were required to prohibit payment of benefits:
 - (a) to a professional athlete between successive seasons who had "reasonable assurance" of reemployment;
 - (b) to an alien not legally admitted to the United States for permanent residence; and

- (c) to a claimant receiving a pension; weekly benefits would be reduced by amount of weekly pension (Effective October 1, 1979).
- (5) Payment of benefits based on services performed for educational institutions in instructional, research, or principal administrative capacities during periods between academic years or terms was prohibited if an individual had either a contract or reasonable assurance of employment for both the prior and forthcoming academic terms. It permitted States to deny benefits based on services performed for educational institutions during periods between school terms to nonprofessional employees of primary and secondary educational institutions if an individual was employed at the end of the prior term and there was reasonable assurance he or she would be so employed during the forthcoming term.
- (6) Required that, except for the between-terms denial provisions, compensation based on service performed for a State, a local government, or a nonprofit organization must be paid on the same terms and conditions as compensation based on other covered services.

Title IV of the 1976 amendments established a 13-member National Commission on Unemployment Compensation to study and report on the unemployment insurance program, with an interim report by March 31, 1978, and a final report due not later than January 1, 1979. Members were to be appointed: seven by the President, who designated the Chairman; and three each by the President Pro Tempore of the Senate and Speaker of the House of Representatives. It required that labor, industry, the Federal Government, local government, and small business each be represented. The commission was directed to study and evaluate the present unemployment compensation programs in order to assess the long-range needs of the programs, to consider alternatives, and to recommend any appropriate changes.

- 42. April 1977 (P.L. 95-19, Approved 4/12/77). In addition to amending the Federal Supplemental Benefits program (see above), the act extended the deferral period for reduced offset credit because of nonpayment of loans for two years (in addition to the original 3-year deferral provided in P.L. 94-45), to 1980.

The act clarified the Federal standard requiring the denial of benefits to undocumented aliens. The act also:

Permitted States to extend the blanket between-terms denial provision applicable to school employees to weeks of unemployment occurring during vacation periods and holiday recesses (in addition to weeks occurring between school terms or academic years) if the individual had reasonable assurance of reemployment.

Extended the due date of the final report of the National Commission -- from January 1, 1979, to July 1, 1979.

Extended the effective date of the Federal standard requiring reduction of benefits by retirement income from October 1, 1979 to April 1, 1980.

43. November 1977 (P.L. 95-171, Approved 11/12/77). Amended FUTA 3304(a)(6) to permit States to extend the blanket between-terms denial requirement, applicable to school employees, to employees of educational service agencies.
44. December 1977 (P.L. 95-216, Approved 12/20/77). This act required State agencies to provide wage information to welfare agencies on request. It provided for the annual (rather than quarterly) reporting of FICA wages. The Act provided that for purposes of the Federal Unemployment Tax Act, if two related employers concurrently employed the same individual and paid the person through a common paymaster, each corporation would be deemed to have paid only the amount actually disbursed by it to the person.
45. November 1978 (P.L. 95-600, Approved 11/6/78). The Revenue Act of 1978 subjected unemployment benefits to taxation on income for those whose total annual income exceeded \$24,000 for a head of household or \$18,000 for a single filer.
46. October 1979 (P.L. 96-84, adopted 10/10/79). This bill extended the exclusion from the Federal Unemployment Tax Act of services performed by certain alien farmworkers for 2 years (in addition to the 2 years prescribed in P.L. 94-566) but provided that these workers should be counted for determining if a farm operator had enough workers or payroll to be subject to Federal Unemployment Tax Act coverage.

The bill also extended the final reporting date of the National Commission to June 30, 1980, and required that the Commission would cease to exist 90 days after the date of the final report.

47. May 1980 (P.L. 96-249, Approved 5/26/80). Food Stamp Act Amendments of 1980 (Effective January 1, 1983), included an amendment to Section 303(d), Social Security Act, requiring, as condition for Title III grants to States, that the State Employment Security Agency disclose to the Department of Agriculture for Food Stamp purposes, on a reimbursable basis for administrative costs and on request, whether an individual had received, was receiving, or had made application for UI and whether the individual had received an offer of suitable work.
48. June 1980 (P.L. 96-265, Approved 6/9/80). Social Security Disability Amendments of 1980 (Effective January 1, 1980) included an amendment to Section 303(d), Social Security Act, requiring as a condition for Title III grants to States that the State Employment Security Agency disclose to State or local child support enforcement agencies, on a reimbursable basis for administrative costs and on request, wage information in the agency records.
49. September 1980 (P.L. 96-364, Approved 9/26/80). A bill amending the Employment Retirement Income Security Act (ERISA) included three unemployment insurance provisions:
 - (1) an amendment to the pension deduction requirement in section 3304(a)(15) of the FUTA, limiting the mandated deduction in State UI laws to that portion of an employee's pension funded by the base period employer;
 - (2) an amendment to title 5 of the U.S. Code to require that ex-servicemembers have 365 days, rather than 90 days, of service to qualify for UCX benefits; and
 - (3) an amendment to section 202 of the Federal-State Extended Unemployment Compensation Act of 1970 to require that EB not be payable for more than 2 weeks to an interstate claimant unless the EB trigger is on in both the agent and paying States.
50. December 1980 (P.L. 96-499, Approved 12/5/80). Omnibus Budget Reconciliation Act of 1980 included amendments to several laws concerning Unemployment Compensation, with various effective dates:

- (1) Amendment to the Emergency Jobs and Unemployment Assistance Act (P.L. 93-567), as later amended by P.L. 94-444, to provide for Federal reimbursement to the States from the Federal Unemployment Benefit Account (FUBA) for payment of UI to individuals separated from CETA public service jobs.

Terminated definition of "public service wages" as covered employment for services performed in weeks which begin after December 5, 1980.

- (2) Amendments to the Federal-State Extended Unemployment Compensation Act of 1970:

- (A) Eliminated the Federal 50 percent matching share for the first week of extended benefits in any State which did not have a waiting period for regular benefits or which had a waiting period for which benefits were paid retroactively ("at any time or under any circumstances"). Where State legislation was needed, amendment was effective in the case of compensation paid to individuals during eligibility periods beginning after the end of the first regularly scheduled session of the State legislature ending after January 4, 1981.

- (B) Two new Federal standards--

- (i) State law must deny extended benefits to an individual during a period of unemployment for which, under State law, he or she was disqualified for State benefits because of voluntary quit, discharge for misconduct, or refusal of suitable work, even though the disqualification had been terminated under State law, unless the termination had been based upon employment subsequent to the date of the disqualification. EB disqualification continued throughout the EB period.
- (ii) State law must deny EB to an individual who failed to to accept suitable work (as specifically defined in the amendment) or a referral to such work, or who failed to engage in a systematic and sustained search for work and failed to provide tangible evidence to the State agency of such effort. Disqualification

terminated only after four weeks employment with earnings of at least four times weekly benefit amount.

- (iii) Both (i) and (ii) were effective for weeks of unemployment beginning after March 31, 1981.

(C) Certification of State laws

The requirements of (B) (i) and (ii) were conformity standards and were required to be included in State laws for certification of a State law by the Secretary of Labor on October 31, 1981, and for each year thereafter.

- (3) Amendment to the Unemployment for Federal Employees (UCFE) program (Chapt. 85, Title 5 USC)

A special account was established within the Unemployment Trust Fund from which States would be reimbursed for UCFE payments. Each Federal agency was required to reimburse the amount of benefit payments attributable to its former employees.

Effective with respect to UCFE benefits attributable to services performed by individuals after December 31, 1980.

- (4) Employee taxes paid by the employer under Federal Insurance Contributions Act (FICA) and, where applicable, under State UI laws, were to be taxable under the Federal Unemployment Tax Act (FUTA).

51. August 1981 (P.L. 97-35, Approved 8/13/81). Omnibus Budget Reconciliation Act of 1981 included amendments to several laws concerning Unemployment Compensation, with various effective dates:

- (1) Amendments to the Federal-State Extended Unemployment Compensation Act of 1970:

- (A) National trigger was eliminated, so that extended benefits were hereafter payable only in States with insured unemployment rates as provided in Federal law. Effective upon date of enactment, August 13, 1981.

- (B) EB claims were excluded from calculation of the insured unemployment rate (IUR) for EB trigger purposes. Only claims for regular State

unemployment compensation were included in calculating the extended benefit trigger rates. Effective upon date of enactment, August 13, 1981.

- (C) State EB triggers were modified, as indicated below--
- (i) Extended benefits payable in any State in which IUR is at least 5 percent and is 20 percent higher than the average of the same 13 week period in the 2 previous years.
 - (ii) When the "20 percent factor" is not met, a State, at its option may pay EB when the State IUR reaches 6 percent, regardless of the IUR in previous years.

Changes were effective for weeks of unemployment beginning after September 25, 1982.

- (D) Required that State law limit payment of EB to claimants who had worked at least 20 weeks in full-time insured unemployment or had earned the equivalent in insured wages. "Equivalent" defined as earnings in covered unemployment which equaled or exceeded 40 times weekly benefit amount (WBA) or 1-1/2 times highest quarter earnings in the individual's base period. Effective for weeks beginning after September 25, 1982.

- (E) Provided for reduction of EB entitlement by TRA payments. If the benefit year of an individual ended within an EB period, the number of weeks of EB for which the 50 percent of cost was reimbursable by the Federal Government in the EB period was to be reduced by the number of weeks in such benefit year in which TRA was paid to such individual. Effective for weeks beginning after September 30, 1981.

(2) Unemployment Compensation for Ex-Servicemembers (UCX)

Disqualified for UCX individuals who left the military at the end of term of enlistment and were eligible to reenlist. No change in prior requirement that individual must have served at least 365 or more continuous days in military service to qualify. Effective for all separations from the military which

occurred on and after July 1, 1981, with respect to weeks of unemployment which occurred after date of enactment, August 13, 1981.

(3) Child Support Intercept

State agency, as a condition for grants under Title III, Social Security Act --

- (A) Shall require each new UI claimant to disclose whether or not he owes child support obligations
- (B) If claimant discloses that he owes child support obligations, and is determined to be eligible to receive UI benefits, the State UI agency shall notify the appropriate State or local child support agency of such determination of eligibility
- (C) State agency shall deduct and withhold from UI payable to the claimant, and forward to the child support agency, the proportionate amount of the individual's UI benefits specified in the agreement or otherwise.

(4) Loan Mechanism Revisions

- (A) CAP ON FUTA OFFSET CREDIT REDUCTION. For any taxable year beginning with 1981, a cap was provided on credit reductions at the higher of 0.6 or the rate for the State's rate for the prior year, if the following requirements were met: No State action was taken during the 12-month period ending on September 30 of the taxable year (excluding action under State law in effect prior to enactment of the Reconciliation Act) resulting in (a) reduction in the State's tax effort or (b) a net decrease in the solvency of the State's unemployment compensation system.

For taxable years 1983-1987, in addition to (a) and (b) above, additional requirements were that: (c) The State UI tax rate for the taxable year equaled or exceeded the average benefit cost ratio for calendar years in the 5-calendar year period ending with the last calendar year preceding the taxable year, and (d) the outstanding balance for such State of advances under title XIII of the Social Security Act on September 30 of such taxable year was not greater

than the outstanding balance for such State of such advances on September 30 of the third preceding taxable year (or, for purposes of applying this subparagraph to taxable year 1983--September 30, 1981).

(B) INTEREST ON LOANS

Except for cash flow loans, as defined below, interest was payable on all loans made to States on and after April 1, 1982, and before January 1, 1988, at the lesser rate of 10 percent or the rate of interest paid in the last quarter of the preceding calendar year to State balances in the Federal Unemployment Trust Fund.

(i) CASH FLOW LOANS

No interest was required to be paid with respect to a loan made during any calendar year if the loan was repaid in full by no later than September 30 of the same year. However, if a second or subsequent loan was made after September 30 but during the same calendar year, interest was also payable for the period during which the earlier loan was outstanding.

(ii) DUE DATES FOR PAYMENT OF INTEREST

- (a) Periods for which interest was payable. Interest attributable to any periods during a fiscal year was to be paid by the State to the Secretary of the Treasury not later than the first day of the following fiscal year. If interest became payable retroactively on a loan made earlier in fiscal year by virtue of another loan made to the State after September 30 of the same calendar year, interest on the earlier loan (which had been repaid prior to September 30) was to be paid not later than the day after the later loan was made.
- (b) Postponement of interest. In the case of any loan made during the last 5 months of any fiscal year (May 1 - September 30), interest on such loans (attributable to periods during such fiscal year) was not

required to be paid before the last day of the succeeding taxable year. Any such deferred interest was to bear interest in the same manner as if it had been a loan made on the day which it would otherwise have been required to be paid.

(iii) LIMITATION ON SOURCE OF INTEREST PAYMENT

Interest required to be paid under the amendment was not to be paid (directly or indirectly) by a State from amounts in its unemployment fund. If the Secretary of Labor determined that any State action results in the payment of interest directly or indirectly (by an equivalent reduction in State unemployment taxes or otherwise) from such unemployment fund, the Secretary would not certify such State's unemployment compensation law for FUTA tax credit.

(iv) CREDITING OF LOAN REPAYMENTS

- (a) Any voluntary loan repayment made by a State should be applied against loans on a last made first repaid basis (LIFO). This would enable a State to reduce or eliminate interest payments due on loans made after April 1, 1982.
- (b) Any other loan repayment should be applied on a first made first repaid basis (FIFO). This provision applied essentially to loan reductions brought about by deductions in FUTA offset credit resulting in higher FUTA net tax payments by employers in a debtor State; such payments in excess of 0.7 percent were to be credited against a State's outstanding loans.
- (c) Effective dates; These provisions apply only to loans made on or after April 1, 1982, and before January 1, 1988.

(5) Provisions relating to Trade Adjustment Assistance

- (A) CAUSAL RELATIONSHIP. Changed "contributed importantly" to "substantial cause" as the basic requirement for certification.

EFFECTIVE DATE: With respect to petitions filed on or after 180th day after enactment.

(B) BENEFIT INFORMATION TO WORKERS. Broadened Secretary of Labor's responsibilities to workers, expanded information required to include program benefits and services, application procedures and application dates, and to inform State vocational education and other interests of certifications issued and possible training needs; required Secretary to insure and review State program compliance.

(C) QUALIFYING REQUIREMENTS FOR WORKERS.

(i) Payments were to be made only to an adversely affected worker who filed an application for TRA for any week which began more than 60 days after the date the petition was filed.
(Changed from: after the date specified in the certification.)

(ii) Liberalized 26-weeks pre-layoff requirements:

(a) included the week of employment in which separation occurred as qualifying week; and

(b) counted as qualifying weeks up to 3 weeks of employer-authorized leave for vacation, sickness, injury, maternity, or to serve as full-time union representatives, or up to 7 weeks of disability covered by worker's compensation, or up to 7 weeks combining disability and not more than 3 weeks of employer- authorized or union leave.

(iii) Added requirements that worker:

(a) have received credit for any waiting week under State or Federal UI law;

(b) have exhausted all UI to which entitled in recent benefit period;

(c) not be entitled to further UI or waiting period;

(d) comply with EB "suitable work" requirements.

- (e) cannot collect another round of TRA benefits under same certification after exhaustion of subsequent UI benefit period.
- (iv) Search for Work/Availability for Training. Permitted Secretary, after first 8 weeks of TRA eligibility to:
 - (a) require all workers in a labor market area to accept training for a period no longer than their remaining TRA benefits, or
 - (b) extend job search beyond the area if unemployment was high, suitable work opportunities were not available, training facilities were available, and training was approved for the individual worker.

Effective for weeks of TRA payable after September 30, 1981.

- (D) WEEKLY TRA ALLOWANCE. Amount of allowance was same as weekly benefit amount (WBA) paid to worker under recent regular UI claim, reduced by any training allowance and by any income deductible from UI under disqualifying income provisions of applicable State law.

EFFECTIVE DATE: For weeks of TRA payable after September 30, 1981.

- (E) TOTAL TRA AMOUNT/DURATION. Total amount of TRA payments were not to exceed amount which, when added to regular UI entitlement, would equal 52 times regular UI weekly benefit amount.

EFFECTIVE DATE. TRA was to be payable for weeks of unemployment beginning after September 30, 1981, except that current recipients before October 1 would be entitled to remaining weeks of basic or training benefits under current programs but at new UI weekly benefit level.

- (F) EXTENDED BENEFIT REQUIREMENT. See (1) (E) under EXTENDED BENEFITS, above

EFFECTIVE DATE: October 31, 1982, for States whose legislatures did not meet after date of enactment and prior to September 1, 1981, and, if then in session did not remain in session for at least 25 calendar days; or October 31, 1983, for States whose legislatures did not meet after enactment and prior to September 1, 1982, and if then in session, did not remain in session for at least 25 calendar days.

- (G) LIMITATIONS OF TRAINING ALLOWANCE. Training allowance not payable if worker did not apply for training within 210 days after date of the certification. (Changed from: Allowance not payable for week which begins more than 3 years after week of total or partial separation.)
- (H) OLDER WORKER PAYMENTS. Eliminated.
- (I) TRAINING AND OTHER EMPLOYMENT SERVICES. If after determining that no suitable work is available, and it is determined that the worker would benefit from training, there is reasonable expectation of employment, and that the worker is qualified, the Secretary might approve training for the worker. Upon such approval, the worker should be entitled to have costs of training paid by the Secretary. Secretary should submit quarterly report to Congress of training expenditures and demand.

Employment services and training available to claimants even if EB "suitable work" was available; worker can not be disqualified or found to be ineligible for UI or TRA benefits for leaving lower-level or minimum wage EB-required work for training, or because of the application to any week of training of availability, active search for work, or job refusal requirements of State or Federal law. Effective date as in (D).

Increased supplemental assistance for "reasonable" expenses to an amount not to exceed actual per diem expenses or 50 percent of Federal per diem allowance for subsistence and the Federal travel regulations mileage rate.

EFFECTIVE DATE: Registrations for services and applications for allowances made or filed after September 30, 1981.

- (J) JOB SEARCH AND RELOCATION ALLOWANCE. Increased job search allowance from 80 to 90 percent of necessary expenses and maximum to \$600; increased relocation allowance from 80 to 90 percent of reasonable and necessary expenses and maximum lump sum to \$600. Increased allowance for expenses to same level as supplemental assistance for training under (I).

Certified workers partially laid off might file applications for job search or relocation allowances but were to be totally separated to receive benefits. Job search applications were required to be filed within one year of date of certification or total layoff, whichever is later, or 6 months after training completion. Relocation applications required to be filed within 14 months after certification or layoff, whichever was later, or 6 months after training completion.

EFFECTIVE DATE: Applications filed after September 30, 1981.

- (K) FRAUD AND RECOVERY OF OVERPAYMENTS. Broadened prior law to provide for recovery of overpayments, whether fraudulent or otherwise, from TRA benefits, UI or any other Federal or State unemployment assistance or allowances payable to a worker. Secretary might waive under certain conditions. Workers ineligible for TRA benefits in case of fraudulent statements or intentional withholding of information. No payment or deduction required until notice of determination, opportunity for fair hearing, and determination had become final.

EFFECTIVE DATE. Effective upon enactment.

- (L) AUTHORIZATION OF APPROPRIATIONS.

- (1) Authorizations of "such sums as may be necessary" for each of fiscal years 1982 and 1983.
- (2) Basic authorization for the program extended by one year, until September 30, 1983.

52. August 1981 (P.L. 97-34 Approved 8/31/81). Economic Recovery Tax Act of 1981 included following provision:

CHANGES IN FUTA STATUS FOR CERTAIN FISHING BOAT SERVICES.

Added to exclusions from FUTA coverage services excluded from Federal Insurance Contributions Act (FICA) under section 3121(b)(2) of the Internal Revenue Code (services performed by an individual engaged in fishing on boats which normally have crews of fewer than 10 individuals, and for which any remuneration is provided as a share of the catch or the proceeds of the catch). (Effective for calendar year 1981.)

53. September 1982 (P.L. 97-248 Approved 9/3/82). Tax Equity and Fiscal Responsibility Act of 1982 included following provisions:

- (1) FEDERAL SUPPLEMENTAL COMPENSATION (FSC). Additional weeks of benefits to be available in all States, beginning with later of September 12, 1982, or date of execution by State of agreement with the Secretary of Labor.

Effective: from above indicated effective date through March 31, 1983.

Benefits under FSC were payable as follows:

- (A) Up to 10 weeks for unemployed workers in a State which was in EB status at some time on or after June 1, 1982.
- (B) Up to 8 weeks in State with EB trigger rate (IUR) at or above 3.5 percent.
- (C) Up to 6 weeks in all other States.

FSC was payable to unemployed worker whose entitlement to UI or EB ended on or after June 1, 1982, and who --

- (A) had exhausted all State UI and EB to which entitled;
- (B) had worked 20 weeks or equivalent during applicable State base period; and
- (C) met all other State UI and EB requirements.

Benefit and administrative costs paid from Federal general revenues.

(2) INCREASE IN FUTA TAXABLE WAGE BASE AND TAX RATE.

- (A) The FUTA wage base of individual annual earnings paid by an employer was increased from \$6,000 to \$7,000. This required each State, for its employers to qualify for FUTA tax credit on \$7,000, to have a taxable wage base of at least that amount. (Effective date: January 1, 1983)
- (B) Gross FUTA tax increased from 3.4 to 3.5 percent. Employers in States with approved UI laws continued to receive a 2.7 percent credit against to FUTA tax. The standard net Federal FUTA tax became 0.8 percent. (Effective date: January 1, 1983).
- (C) Gross FUTA Tax increased from 3.5 to 6.2 percent. This included a permanent tax of 0.6 percent plus a temporary 0.2 percent that would continue in effect until all general revenue advances to the Federal Extended Unemployment Compensation Account (EUCA) had been repaid. The offset credit for State employers would increase to 5.4 percent, so that the net Federal tax rate would remain at 0.8 percent until the EUCA account had repaid all general revenue advances; at such time it would drop to 0.6 percent. The taxable wage base remained at \$7,000. State experience rating schedules required to have a maximum rate of at least 5.4 percent. (Effective date: January 1, 1985, but provided a 5-year phase-in period for State UI laws which currently provided a rate uniform above 2.7 percent for certain groups of employers).

(3) MODIFICATION OF ALLOCATION OF FUTA REVENUES AMONG ACCOUNTS IN FEDERAL UNEMPLOYMENT TRUST FUND

(A) Allocations for periods beginning January 1, 1983.

Revenues from the 0.8 percent federal tax to be distributed as follows:

- (i) Sixty percent (or 0.48 percentage points) to be allocated to the Employment Security Administration Account (ESAA).
- (ii) Forty percent (or 0.32 percentage points) to be allocated to the EUCA account.

(B) Allocations after general fund advances to EUCA had been repaid (FUTA tax of 0.6 percent):

- (i) Ninety percent (or 0.54 percentage points) to be allocated to ESAA.
- (ii) Ten percent (or 0.06 percentage points) to be allocated to EUCA.

(4) MODIFICATION OF REED ACT PROVISIONS.

(A) Extended for 10 years the authority for States to use Reed Act funds for administrative purposes:

1956 allotments extended to 1991
1957 allotments extended to 1992
1958 allotments extended to 1993

(B) Permitted States that have used such funds for payment of benefits to reestablish or replenish Reed Act Accounts upon request of the Governor, and after outstanding loans had been repaid by the State.

(C) Effective: Upon enactment (September 3, 1982).

(5) ROUNDING DOWN OF EXTENDED BENEFITS TO NEXT LOWER DOLLAR.

Federal 50 percent matching share of extended benefits (EB) not payable to State on that part of an EB payment which resulted from failure of State UI law to have a benefit structure in which benefit amounts are rounded down to the next lower dollar.

Effective Date: October 1, 1983, or after next legislative session in the State

(6) CHANGES IN FUTA COVERAGE PROVISIONS.

(A) REMOVAL OF AGE LIMITATION FOR EXCLUSION OF WAGES PAID TO STUDENT INTERNS. Age 22 limitation removed from exclusion. (Effective date: upon enactment (September 3, 1982))

(B) EXTENSION OF EXCLUSION OF WAGES PAID TO CERTAIN ALIEN FARMWORKERS. Extended for two years--from January 1, 1982 to January 1, 1984--prior exclusion of wages paid to certain alien farmworkers who were admitted for a temporary period of time. Effective date: January 1, 1982.

(C) EXCLUSION OF WAGES PAID TO EMPLOYEES OF ORGANIZED SUMMER CAMPS WHO ARE FULL-TIME STUDENTS.

Provided, for a one-year period, for exclusion of wages paid for services performed in organized summer camps by individuals who were full-time students during the school year.

- (7) INCOME TAXING OF UNEMPLOYMENT COMPENSATION. The income thresholds limiting the inclusion of State and Federal UI benefits in adjusted gross income were reduced to \$12,000 (from \$20,000) for single taxpayers, and to \$18,000 (from \$25,000) for married taxpayers filing jointly. Estimated tax penalties for 1982 attributed to this change were waived. Effective: for benefits paid on or after January 1, 1982.

(8) WAIVER OF CREDIT REDUCTIONS UNDER CERTAIN CONDITIONS.

States permitted to make repayments on loans from State trust fund accounts in lieu of further reductions in credit against the gross FUTA tax if following requirements were met:

- (A) The State account was required to have sufficient funds or sufficient income to enable it to repay an amount equal to at least the sum that the credit reduction would have generated plus any advances made to the State during the year.
- (B) After making payment under (A), the State must retain enough funds in its account to pay all State benefits for the next three months.
- (C) After receiving the first advance, or after date of enactment (September 3, 1982) the State must have made a change in its UI law that had resulted in an increase in the solvency of its unemployment compensation system. (Effective: for tax years beginning after December 31, 1982).

- (9) LIMIT ON FIFTH-YEAR CREDIT REDUCTIONS. For a qualified State, eliminated additional credit reduction based on State's previous 5-year cost rate that began in the fifth year a State was subject to annual reductions in credit against FUTA because of outstanding loans. Applied to a debtor State in any tax year beginning after December 31, 1982, in which the State had taken no action during the 12-month period ending on September 30 which had reduced the solvency of the State trust fund. (Effective: for tax years beginning after December 31, 1982).

- (10) DEFERRAL OF INTEREST IN CASE OF CERTAIN STATES WITH HIGH UNEMPLOYMENT. States with high unemployment were permitted to reduce interest payments on loans to 25 percent of the amount incurred in any year, and thereby extend the payment of such obligation over a 4-year period, with interest charged on the amount deferred beyond the year in which otherwise due. Deferral was permitted of the amount of interest due for any calendar year in which the State insured unemployment rate (IUR) equaled or exceeded 7.5 percent during the first 6 months of the preceding calendar year. (Effective: for interest due after December 31, 1982).
- (11) CHANGE IN TREATMENT OF CERTAIN EMPLOYEES OF CERTAIN INSTITUTIONS OF HIGHER EDUCATION
- (A) States were permitted to deny UI payments to non-teaching, non-research and non-administrative employees of colleges and universities during periods between academic years or terms, if there was reasonable assurance the individual would be employed by the institution at the beginning of the forthcoming academic year or term. This made Federal law consistent toward such employees of educational institutions.
- (B) If any non-teaching, non-research or non-administrative school employee was denied benefits and such employee was not offered an opportunity to be reemployed for the next succeeding school year or term, such individual would be entitled to retroactive payment for each week for which the individual filed a timely claim for benefits and for which compensation was denied solely because of (A) above.
- (C) Effective dates:
- (i) Effective with respect to weeks of unemployment beginning after date of enactment (September 3, 1982).
- (ii) Insofar as retroactive payment was required to employees of educational institutions other than institutions of higher education, such requirement as a condition for certification of a State UI law by the Secretary of Labor did not become effective before January 1, 1984.

(12) SHORT-TIME COMPENSATION (WORKSHARING)

Directed the Secretary of Labor (DOL) to develop model legislation that could be used by States that wish to establish short-time compensation (worksharing) programs, and to furnish technical assistance to such States. The Secretary was directed to evaluate the operation and impact of such programs implemented by the States and to report his findings to Congress no later than October 1, 1985.

Effective: upon enactment (September 3, 1982)

(13) ALTERNATIVE STANDARDS FOR DETERMINING EMPLOYEE/INDEPENDENT CONTRACTOR STATUS UNDER FUTA (AND FICA)

Excluded from FUTA (and FICA) coverage certain direct sellers and real estate sellers who were licensed direct sellers of real estate or who executed an agreement with an employer in which substantially all remuneration was based on sales or output (commission).

54. October 1982 (P.L. 97-362 Approved 10//25/82).
Miscellaneous Revenue Act of 1982 included following provisions:

(1) UNEMPLOYMENT COMPENSATION FOR EX-SERVICEMEMBERS (UCX).

(A) "Federal service" definition amended to mean active service (including active duty for training purpose for a continuous period of 180 days or more) in the armed forces or the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA); if with respect to such service--

(i) the individual was discharged or released under honorable conditions (and, if an officer, did not resign for the good of the service); and

(ii) (a) the individual was discharged or released after completing his/her first full term of active service, or

(b) the individual was discharged before completing such term--

(1) for the convenience of the Government,

- (2) because of medical disqualification, pregnancy, parenthood, or service-incurred injury or disability,
 - (3) because of hardship, or
 - (4) because of personality disorder or inaptitude, but only if the service was continuous for 365 days or more.
- (B) Benefits not payable before fifth week beginning after the week of discharge or release.
- (C) Aggregate amount of compensation under this or any other Federal law would not exceed 13 times the individual's weekly benefit amount for total unemployment (including payments under EB).
- (D) Amendments applied to terminations of service on or after July 1, 1981, but only with respect to eligibility for benefits for weeks of unemployment after date of enactment. Compensation payable in the case of benefit years established before date of enactment was not reduced.

Date of Enactment: October 25, 1982

- (E) UCX payments charged to Department of Defense after October 1, 1983.
- (2) EXCLUSION OF WAGES PAID FOR SERVICES PERFORMED BY CREW MEMBERS OF CERTAIN FISHING VESSELS

Excluded from coverage, for an additional 1 year period, service performed by individuals engaged in fishing on boats which normally had crews of fewer than 10 individuals, and for which any remuneration was provided as a share of the catch or proceeds of the catch.

(Effective: for calendar year 1982).

- (3) MODIFICATION OF CONDITIONS FOR APPROVAL OF PETITION WITH RESPECT TO TRADE ADJUSTMENT ASSISTANCE.
Postponed until October 1, 1983, the change in causal relationship previously effective from February 9, 1982--from "contributed importantly" to "substantial cause" of reduced hours or closing of firm. Since

September 30, 1983, was the present expiration date of the Trade Act, this effectively repealed the August 13, 1981 enactment of the change (already postponed at time of enactment to February 9, 1982) and left the "contributed importantly" language in effect.

55. January 1983 (P.L. 97-424, Approved 1/6/83). The Surface Transportation Assistance Act of 1982 included the following:

REVISED TRIGGERS AND ADDITIONAL WEEKS OF BENEFITS UNDER
FEDERAL SUPPLEMENTAL UNEMPLOYMENT COMPENSATION ACT OF 1982.

(A) Changed triggers and duration of FSC:

- (i) States in a "higher unemployment period" (an IUR of 6.0 percent or more) paid up to a total of 16 weeks of FSC.
- (ii) States with an IUR of less than 6.0 percent but which were in an EB period at some time between June 1, 1982, and the date of enactment of the Surface Transportation Assistance Act paid up to a total of 14 weeks of FSC.
- (iii) States in an "intermediate unemployment period" (an IUR of at least 3.5 percent but less than 4.5 percent), and where the State did not pay EB during the life of the FSC program, paid up to a total of 10 weeks of FSC.
- (iv) All other States paid up to a total of 8 weeks of FSC.

(B) Claimants who had exhausted FSC were eligible for these additional weeks regardless of whether they had met the eligibility requirements for UC in the period between exhaustion and enactment of the extension.

(C) Once a State triggered into an "intermediate unemployment period" or a "high unemployment period" it remained there for at least 4 weeks unless it had triggered into a high or higher unemployment period earlier. A State continued in the higher unemployment period for at least 4 weeks.

(D) Retained March 31, 1983 expiration date.

Effective on enactment: January 6, 1983.

56. January 1983 (P.L. 97-448 Approved January 12, 1983). The Technical Corrections Act of 1982 included the following provision:

December 1982 FSC Technical Amendment: The maximum number of weeks of FSC payable to an interstate claimant became the lesser of the number of weeks of FSC payable in either the agent or liable State. (This provision became effective as though it had been included in the original enactment.)

57. March 1983 (P.L. 98-13 Approved March 29, 1983). This mini-bill ensured that the FSC program, scheduled to expire March 31, 1983, but extended for 6 months by P.L. 98-21 (see below), would not expire even though that bill had not been signed by March 31, 1983.

58. April 1983 (P.L. 98-21 Approved April 20, 1983). The Social Security Amendments of 1983 included the following provisions:

- (A) DEFINITION OF "WAGES" FOR FUTA PURPOSES CHANGED to include employer contributions under certain deferred compensation and salary reduction arrangements and to exclude the value of employer-provided meals and lodging if the value was excluded from the employee's gross income.
- (B) EXTENDED THE FSC PROGRAM FROM MARCH 31, 1983 THROUGH SEPTEMBER 30, 1983.

Effective April 1, 1983 FSC benefits became payable as follows:

- (1) Basic FSC Benefits. Individuals who began receiving FSC on or after April 1, 1983 could receive up to a maximum of:
 - (a) 14 weeks in States with average IUR 6.0 percent and above;
 - (b) 12 weeks in States with average IUR 5.0 to 5.9 percent;
 - (c) 10 weeks in States with average IUR 4.0 to 4.9 percent;
 - (d) 8 weeks in all other States.

The maximum number of weeks payable in a State after April 1, 1983 could be no more than 4 weeks less than the maximum number of weeks payable under the FSC law in effect as of March 27, 1983.

- (2) Additional FSC Benefits. Individuals who exhausted FSC on or before April 1, 1983 could receive additional weeks equal to three-fourths of the basic FSC entitlement payable in the State, up to a maximum of:
 - (a) 10 weeks in the States with an average IUR of 6.0 or above;
 - (b) 8 weeks in the States with an average IUR of 4.0 to 5.9;
 - (c) 6 weeks in the States with an average IUR of 4.0 and below.
- (3) Transitional FSC Benefits. Individuals who begin receiving FSC before April 1, 1983 and had some FSC entitlement remaining after that date, could also receive additional weeks described above. However, the combination of their remaining basic FSC entitlement received after April 1, 1983, and the additional weeks could not exceed the maximum number of weeks of basic FSC benefits payable in the State.
- (4) Phaseout FSC Benefits. Individuals who have not exhausted their FSC entitlement on September 30, 1983, when the program expired, would be eligible to receive up to 50 percent of their remaining FSC entitlement. No new claimants could be added to the FSC program on or after September 30, 1983.

(C) INTEREST ON TITLE XII ADVANCES

- (1) The interest provision, originally scheduled to expire at the end of 1987, was made permanent.
- (2) Interest could be deferred (for interest accrued in FY's 1983, 1984, 1985) and paid off in four installments of 25 percent increments in future years under the following conditions:
 - (a) No reduction in a State's tax effort or trust fund solvency AND, either

- (b) the State had reduced benefits and increased taxes by at least 25% or
- (c) for FY 82 State UC tax revenues equaled at least 2 percent of total wages of covered employers.
- (d) in addition, interest could be delayed up to 9 months if the State's TUR in any calendar year after 1982 was 13.5% or higher.
- (e) A discounted interest rate (1 percent less than the rate that would otherwise have applied) was available to a State whose tax-increase/benefit-reduction was greater than that required for the deferred interest.

(D) CAP ON CREDIT REDUCTION

- (1) The "cap" on automatic FUTA credit reductions (available if certain solvency requirements were met) which was scheduled to expire at the end of CY 1987, was made permanent.
- (2) Certain special lower credit reductions were authorized for tax years 1983, 1984 and 1985 liabilities for States who failed to qualify for a total cap but who met at least 2 of the 4 requirements for the cap.

(E) AVERAGE EMPLOYER CONTRIBUTION RATE

Included all of a State's taxable wages, rather than only the Federal taxable wage, in determining a State's average tax rate, in order to more accurately reflect a State's tax effort, and the fact that many States had wage bases above the Federal base.

(Effective date: taxable years beginning with 1983).

(F) DATE FOR PAYMENT OF INTEREST

Changed the date for payment of interest from the first day of the next fiscal year to before the first day of the next fiscal year.

(G) FAILURE TO PAY INTEREST

A State was required to pay interest, when due, as a condition for all the State's employers to continue to receive offset credit against the FUTA tax and for the State to continue to receive grants for administration. (Effective on enactment)

(H) EMPLOYEES OF EDUCATIONAL INSTITUTIONS

- (1) Required States to apply the between-terms denial of benefits to employees of educational institutions and educational service agencies who were employed in a noninstructional, nonresearch or nonprincipal administrative capacity, and who had a reasonable assurance of reemployment in the next year or term.
- (2) Permitted States to apply the between terms denial to individuals who performed services on behalf of an educational institution or an educational service agency even though not employed by either the institution or agency.

(Effective: for weeks beginning April 1, 1984 and after the end of the first session of the State legislature which began after date of enactment and remained in session at least 25 days.)

(I) EB FOR INDIVIDUALS ON JURY DUTY OR HOSPITALIZED

Permitted States to make week-to-week eligibility determinations for EB claimants serving on jury duty or hospitalized with an emergency or life-threatening condition IF the State applied the same conditions to its regular UI claimants. Absent this amendment, States were required to deny EB to claimants prevented from seeking work because of jury duty or hospitalization until they returned to work for at least 4 weeks and earned 4 times the weekly benefit amount.

(J) HEALTH INSURANCE DEDUCTION

Gave States the option of deducting an amount from the unemployment compensation benefits

otherwise payable to an individual and using the amount deducted to pay for health insurance if the individual elected to have the deduction made and the deduction was made under a program approved by the Secretary of Labor.

(Effective on enactment)

(K) TREATMENT OF NONPROFIT ORGANIZATIONS
RETROACTIVELY GRANTED 501(c)(3) STATUS.

Allowed a nonprofit organization that elected to switch from the contribution to the reimbursement method of financing unemployment benefits to apply any accumulated balance in its State unemployment account to costs incurred after it switched to the reimbursement method, under the following conditions:

- (1) the organization had not elected to switch to the reimbursement method under prior authority because during these periods the organization was treated as a 501(c)(4) organization by the Internal Revenue Service, but the organization had been subsequently determined by the IRS to be a 501(c)(3) organization; and,
- (2) the organization elected to switch to the reimbursement method before the earlier of 18 months after such election was first available to it under State law or January 1, 1984.

59. September 1983 (P.L. 98-92, Approved September 2, 1983).
Amended the Federal Supplemental Compensation Act of 1982 as follows:

- (A) Limited the Reduction in the Weeks of FSC payable in a State which lost four or more weeks of benefits between the weeks beginning March 27, 1983 and July 24, 1983 to the number of weeks payable for the week beginning July 24. States were frozen at that level for the week beginning August 7, 1983, to the expiration of the FSC program on September 30, 1983.
- (B) Affected Individual Eligibility for FSC by providing, in the case of an FSC account established before June 5, 1983, that the weeks of entitlement for an individual could not be less than the number of weeks

payable in the State for the week beginning March 27, 1983, reduced by four.

Also contained provisions not related to UI.

60. October 1983 (P.L. 98-118, Approved October 11, 1983).
Federal Supplemental Compensation Extension included following provisions:
- (A) Extension of FSC. Extended Federal Supplemental Compensation Act of 1982 until October 18, 1983.
 - (B) Cash Flow Loans. No interest was payable on any cash flow loans repaid by a State by September 30 of the year in which loans were taken out.

61. October 1983 (P.L. 98-120, Approved October 12, 1983).
Amendment to International Coffee Agreement Act of 1980 included Reauthorization of the Trade Act of 1974.

Reauthorization of Trade Act, extending such authorization to September 30, 1985, and including following changes:

- (A) EXTENSION OF SECTION 245 AND SECTION 285 OF THE TRADE ACT TO SEPTEMBER 30, 1985. Extended programs dealing with TAA benefits and allowances for workers and assistance to firms which were trade-impacted.
- (B) "CONTRIBUTED IMPORTANTLY" TEST FOR GROUP ELIGIBILITY. Struck out "were a substantial cause of such total or partial separation, or threat thereof" and inserted in lieu thereof "contributed importantly to such total or partial separation, or threat thereof, and to such decline."

Specified that the term "contributed importantly" meant a cause which was important, but not necessarily more important than any other cause.

- (C) AID TO FIRMS. Provided a preference among certified, equally qualified, loan applicants for applicants that included in their adjustment plans proposed to the Secretary of Commerce a provision to utilize an employee stock ownership plan (ESOP) as the financing vehicle for repayment of 25 percent of the principal amount of the loan. The Secretary was not required to grant any preference in certification or to make loans that were not economically sound.

62. October 1983 (P.L. 98-135, Approved October 24, 1983).
Federal Supplemental Compensation Amendments of 1983
included following provisions relating to UI programs:

(A) AMENDMENTS TO FEDERAL SUPPLEMENTAL COMPENSATION ACT OF 1982 made following changes:

- (1) Extended provisions of the Act to March 31, 1985.
- (2) Eliminated any phase-out payments after March 31, 1985, expiration date.
- (3) Amended FSC benefit provisions--
 - (a) Basic FSC benefits (Effective from October 23, 1983)
 - 14 weeks -- State IUR of 6 percent or more OR long-term IUR of 5.5 percent or more*
 - 12 weeks -- State IUR of 5-5.9 percent OR long-term IUR of 4.5-5.4 percent*
 - 10 weeks -- State IUR between 4 and 4.9 percent
 - 8 weeks -- State IUR of less than 4 percent.

*Long-term IUR in the State calculated for period consisting of the last week beginning in the second calendar quarter ending before the week for which determination was made and all weeks preceding such date which began on or after January 1, 1982.

- (b) Additional FSC benefits. For individuals who first began receiving FSC on or after April 1, 1983--
 - (i) up to 5 weeks additional FSC entitlement for those who exhausted FSC before week of October 23, 1983.
- (c) Stabilizers.
 - (ii) For those receiving FSC the week of October 23, 1983--

up to 4 weeks additional FSC entitlement
in States with

12 or 14 weeks basic FSC as of that week.

up to 2 weeks additional FSC entitlement
in States with

8 or 10 weeks basic entitlement.

(d) Transition rule. Any remaining FSC entitlement after week of October 16, 1983, and additional weeks under paragraph (ii) could not exceed the maximum number of weeks of basic FSC payable in the State during week of October 23, 1983.

(i) Individuals were frozen at the level for which they qualified when they first filed claim for FSC; no increase or decrease in number of weeks of entitlement. (Except that interstate claimants were limited to the lesser of the number of weeks of FSC payable in either the agent or liable State.)

(ii) State applicable benefit period was frozen for 13 weeks at a time, with no increase or decrease in number of weeks during that period. When a State did change, it could only gain or lose 2 weeks for next 13-week period.

(B) CHANGE IN FUTA DEFINITION OF TAXABLE WAGES.

Amended FUTA to exclude from taxable wages any payment made by an employer to a survivor or estate of a former employee after the calendar year in which such employee died.

(C) EXTENSION OF EXCLUSION FROM FUTA DEFINITION OF TAXABLE WAGES OF PAYMENTS TO CERTAIN AGRICULTURAL WORKERS.

Extended for an additional 2 years, to December 31, 1985, the exclusion from coverage of wages paid to certain alien farmworkers brought into the country under contract for fixed periods of time.

(D) CHANGE IN METHOD OF MAKING REPAYMENTS TO GENERAL FUND OF CERTAIN REPAYABLE ADVANCES.

Revised mechanics of repaying to the general fund of the Treasury repayable advances which had been made to the Federal Unemployment Account.

(E) SPECIAL REPORTS BY THE SECRETARY OF LABOR.

- (1) The Secretary of Labor was directed, not later than April 1, 1984, to submit a report to Congress on--
 - (a) the feasibility of using area triggers in unemployment compensation programs, and
 - (b) the feasibility of determining whether individuals filing claims for unemployment compensation are structurally unemployed.
- (2) (a) The Secretary of Labor, the Director of the Office of Personnel Management, and the Attorney General were directed to enter into such cooperative arrangements as would assist State UI agencies to review and act as appropriate upon information concerning the eligibility for UI benefits of retired Federal employees and Federal prisoners.
 - (b) The Secretary was directed to report to the Congress, prior to January 31, 1984, upon arrangements which had been entered into under paragraph (a), and any arrangements which could be entered into with other State agencies for the purpose of ensuring that UI was not paid to retired individuals or prisoners "in violation of law." The report was to include any recommendations for necessary legislation to carry out this purpose.

Also included some provisions not related to unemployment insurance.

63. July 1984 (P.L. 98-369, Approved July 18, 1984). Deficit Reduction Act of 1984 included following provisions relating to UI programs:

(A) FUTA TAX INCLUDED ALL REPORTED TIP INCOME UNDER DEFINITION OF "WAGES"

(D) TRADE ADJUSTMENT ASSISTANCE

- (1) With respect to the additional 26 weeks of Trade Readjustment Allowances available to workers while in approved training, the additional 26 weeks of TRA were to be payable during the 26 weeks which begin with the first week of training if that training had not been approved until after the last week of entitlement to basic TRA. (Under prior law, the 26 additional weeks of TRA while in training were payable only during the 26 weeks immediately following exhaustion of entitlement to basic TRA.)
- (2) Increased maximum job search and relocation allowances from \$600 to \$800.

(E) INCOME TAXING OF UI BENEFITS

Income taxing of UI benefits would not apply to UI benefits paid after CY 1978 with respect to any weeks of unemployment ending before December 1, 1978.

64. April 1985 (P.L. 99-15, Approved April 4, 1985). Amendment to Federal Supplemental Compensation Act of 1982.

- (A) In the case of any individual who was receiving FSC for the week which included March 31, 1985, such FSC continued to be payable to such individual, as under the law prior to this amendment, for any week thereafter, in a period of consecutive weeks for each of which he/she met the FSC eligibility requirements.
- (B) Each State, to continue eligibility for FSC, was required, within a three-week period after an amendment to the agreement effecting this change had been proposed by the Secretary of Labor, to enter into such modification. In the absence of such modification, the Secretary was required to terminate any present agreement effective with the end of the last week which ended on or before the end of the three-week period. States were empowered to pay FSC in accordance with this amendment for weeks beginning after March 31, 1985, and were to be reimbursed in accordance with the provisions of the Federal Supplemental Compensation Act of 1982.
- (C) Remaining weeks of benefits were to be paid only for consecutive weeks of unemployment.

APPENDIX III
KEY UI STATISTICS

*1940/1984

A. <u>EMPLOYMENT AND WAGES</u>	CY 1940	CY 1984
1. Average monthly covered employment (000s)	23,092	91,400
2. Average weekly wage in employment		
Total wages	\$27.02	\$347.44
Wages subject to taxation	\$25.08	\$123.14
3. Wages paid in covered employment (000s)		
Total wages	\$32,447,244	\$1,651,283,397
Wages subject to taxation	\$30,110,665	\$585,272,493
4. Contributions collected (000s)	\$853,750	\$14,385,000
B. <u>BENEFIT PAYMENTS</u>		
1. Benefits paid (000s)	\$518,700	\$12,604,429
2. Average weekly benefit amount	\$10.56	\$123.28
3. Number of first payments (000s)	5,220	7,765
4. Number weeks compensated (000s)	51,084	112,116
5. Average duration per claimant (in weeks)	9.8	14.4

*1940 is first full year during which UI benefits were payable in all States

SOURCE: Division of Actuarial Services
Office of Legislation and Actuarial Services
Unemployment Insurance Service
Employment and Training Administration
U.S. Department of Labor



APPENDIX IV

Some Key Quotations in the History
of the UI Program

o One of the most deplorable situations was found in one of our medium-sized cities where each applicant for relief was compelled to appear before the monthly meeting of the poor committee composed of the mayor and alderman and be cross-examined by these 8 or 9 city officials. This winter when so many were needing help, the meetings sometimes lasted until 2 or 3 o'clock in the morning. One can imagine how much sympathetic consideration an applicant, after waiting for 8 hours to be heard, would get at 2:30 A.M.

- Special report for the Industrial Commission of Wisconsin, July 1931.

o Of course, unemployment insurance alone will not make unnecessary all relief for all people out of work because of a major economic depression, but it is my confident belief that such funds will, by maintaining the purchasing power of those temporarily out of work, act as a stabilizing device in our economic structure and as a method of retarding the rapid downward spiral curve and the onset of severe economic crises.

- President Franklin D. Roosevelt, March 1934.

o ... in normal times, and in fact in boom years, there is always considerable unemployment. Some 3,000,000 people who wanted work did not obtain it in the comparatively prosperous year of 1928.

- Cong. Doughton, Chairman, Ways and Means Committee, April 1935.

o During the years 1929 to 1936, when the country was passing through a cyclical depression, the number of the unemployed mounted to critical heights. Often the average was more than 10 million; at times a peak was attained of 16 million or more. Disaster to the breadwinner meant disaster to dependents.

- Sen. Harrison, Chairman, Senate Finance Committee, June 1935.

-
- o The problem had become national in area and dimensions. There was need to get help from the nation if the people were not to starve. It is too late today for the argument to be heard with tolerance that in a crisis so extreme the use of the moneys of the nation to relieve the unemployed and their dependents is a use for any purpose narrower than the promotion of the general welfare.

- Mr. Justice Cardozo, for U.S. Supreme Court, May 1937.

- o ... every time I publish an editorial critical of the unemployment compensation program, I catch bloody blazes from the business people of the town--they say that benefits are all that keep the town going in winter time.

- Small town newspaper editor to this writer.

- o *** further legislation is still needed. *** This program has proved to be one of the most successful means for combining the interest of the economy as a whole with the interest of the individual worker.

- President Dwight D. Eisenhower, 1954, proposing Temporary Unemployment Compensation Act, making Federal advances to States available for extended benefits.

- o **** 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 community. 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.

- President John F. Kennedy, 1961, proposing Temporary Extended Unemployment Compensation Act.

- o Legislation is being developed with the States and will be proposed to reduce the Federal tax and have the States finance their own administrative costs starting in 1988.

- President Reagan's Budget for FY 1986

IN THE HALLS OF CONGRESS

As the debate began ...

HOUSE OF REPRESENTATIVES (April 11, 1935)

Mr. Doughton (N.C.), Chairman Committee on Ways and Means:

I do not believe since I have been a Member of this body any bill that has been considered by the Congress has been given more thorough, more careful, or more painstaking consideration, or where broader latitude has been afforded to everyone desiring to be heard and express his view than has been the case in the consideration of this legislation."

Unemployment insurance is based upon the principle of laying aside reserves during periods of employment to be used in periods of unemployment. It places part of the financial burden upon industry, and in that way provides an incentive for stabilization of employment. The Federal bill does not provide for unemployment insurance but merely makes it possible for the States to do so. Unemployment insurance has been used in many foreign countries for a number of years and no country, once having adopted such a system, has ever abandoned it. In this country unemployment-compensation systems have been operated by a number of labor organizations and large industrial plants.

It is undoubtedly true that what the American citizen wants and needs, above all else, is steady employment, but under modern economic conditions and with the rapid development of machine techniques, it is inevitable that large numbers of workers will be thrown out of work from time to time. Given this situation, it must be acknowledged that unemployment insurance will provide the best means of protecting workers against this greatest of all causes of dependency. It does not place a new burden upon industry, the cost will not be greater than the present cost of unemployment relief; it shifts that cost and distributes it far more equitably than heretofore.

UNITED STATES SENATE (June 14, 1935)

Mr. Harrison (Miss.), Chairman, Committee on Finance:

In general, the purpose of the legislation is to initiate a permanent program to our American citizens in meeting some of the major economic hazards of life.

Nor is the bill intended as emergency legislation, to cope with an emergency situation, but rather it is designed as a well-rounded program of attack on principal cause of insecurity which existed prior to the depression and which we may expect to continue in years to come. The depression did not create but merely accentuated and forcefully brought to our attention, human suffering resulting from these hazards of life.

... in normal times, and in fact even in boom years there is always considerable unemployment. Some 3,000,000 people who wanted work did not obtain it in the comparatively prosperous year of 1928. When machinery is replaced by more efficient machinery, when overproduction arises from any of many causes, when an industry is dying because its product is being supplanted, men are thrown out of work.

*** For instance, if the State of Ohio had started unemployment insurance back in 1923, paying their workers who were honestly unemployed half their wages for periods of not longer than 6 months, the fund would have stayed wholly solvent for 2 1/2 years after the depression began. Probably the rigors of the depression would have been largely mitigated with such a system in force throughout the several States. Certainly the regular income still received by each man who lost his job would not only have kept up his courage in the face of adversity but would also have given him a purchasing power enabling him to consume products of industry, which were left unsold on the shelves of the clothing store and the grocery.

o And when the vote was taken:

HOUSE OF REPRESENTATIVES (April 19, 1935)

Yeas-372, Nays-33, Present-2, Not voting-25

UNITED STATE SENATE (July 19, 1935)

Yeas-77, Nays-6, Not voting-12

o And so the bill passed the Congress.

ALONG THE WAY ...

While anecdotal evidence is frequently suspect as being selective in its application, this writer can attest to the accuracy of these anecdotes:

- o In a small county seat, the local editor editorialized regularly against the "waste" of UC dollars going to the unemployed all winter long (major employment sources in the county included road and home construction and canning of fruits and vegetables). As chance would have it, the local UC/employment service office lost its lease and was relocated at a site directly across the street from the newspaper office--causing an escalation in the level of editorial rhetoric. Five years later, the workload of the office having outgrown its inelastic walls, we advertised for proposals for a larger office--being sure to place an ad in our critic's newspaper. A few days later I received a call from the editor: "Would you please stop by to see me the next time you're in town?" "Of course," I replied, and found an occasion to come to see her in just a few days.

After the amenities, she said: "I guess I really should tell you that every time I publish an editorial critical of the unemployment compensation program, I catch bloody blazes from the business people of the town--they say that benefits are all that keep the town going in winter time. I do hope that you will keep your office in town here, and not move it somewhere else." I assured the editor of an open mind--as a matter of fact we finally contracted for an enlargement of the office that was across the street from her office. Well, the editorials did continue--but were less frequent in number and less strident in tone.

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Our State office and our largest local office were located in the same building in the largest city. As was the general practice, we served several small towns on a day-a-week basis when workload justified such action. In one of the larger towns, some 35 miles from the core city, a one-day-a-week itinerant office was housed in the fire hall, some 2 or 3 buildings down the street from a large hardware store, operated by the Mayor. One winter, the local newspaper reported the occurrence of what amounted to an indignation meeting, held by the Mayor and Council and certain of the civic notables, all complaining about the undesirability of the UC office, which was causing noise and litter at the center of town, and whose availability made it difficult for employers to get workers--who

allegedly preferred to draw benefits rather than take work available to them. I called the Mayor for an appointment and drove over to see him. He reiterated the complaints and demanded that the office be closed. I suggested that this might cause difficulties for some of the unemployed. He was adamant. So we closed the office.

It turned out to be a rather snowy winter. About 3 weeks after the office was closed, I happened to be buried in some papers at my desk when I sensed rather than saw a presence. It was the Mayor--covered with snow. He had come to ask that the office be reopened. "Good grief," he said, "these people are blaming me for the closing of the office. I must get a half a dozen people a day coming in to bum a dollar for bus fare. Won't you please get that office opened again", "Sure," I said, "just as soon as you get me an O.K. for use of the fire hall and we can notify the claimants of the change in office location. "

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In the mid-50's our State, like many others, found its UC financing to be in hazardous straits. We concluded that the surest way to avoid insolvency (which would have caused all employers' tax rates to shoot up to a flat rate of 2.7 percent) would be to levy a 1.5 percent surtax across-the-board for 2 years while we undertook a comprehensive solvency study and prepared a detailed plan for change. Prior to this, and in substantial measure contributing to the problem, the State law provided for a minimum tax rate of 0.1 percent, and this was enjoyed by some two-thirds of all employers.

I reviewed the problem with the Governor, who said he would certainly support and approve the bill, if passed, but that he could not send a special message to the Legislature recommending this action, having just expended an enormous amount of political capital in securing a general increase in State income tax and certain business taxes. However, he offered to convene a meeting of legislative leaders of the majority party and give me a friendly introduction. He did so. I went through my presentation--tables, charts, the rhetoric of the appeal. One Senator spoke up: "Jim," he said, "as you know I have 2 gas stations. I work in the grease pit myself. When I come here to attend a session, I hire someone to take my place. I lay no one off. Do you mean to tell me that you're now asking me to vote to increase my UC tax bill by 1500 percent for at least 2 years?" I replied: "I do know where your stations are

located. In fact you'll remember I've stopped by to chat from time to time. (I also knew that these stations were strategically located near the State's two auto assembly plants.) Tell me--do you cash many of our unemployment compensation benefit checks during model changeover lay offs." "Of course I do," he said, "probably hundreds of them." He stopped, grinned, and said: "O.K., Jim, you've made your point. I'll vote for your bill."



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