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FEDERAL SUPPLEMENTAL COMPENSATION AMENDMENTS OF 1983

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

REPORT

[To accompany S. 1887]

The Committee on Finance reports an original bill to extend the Federal supplemental compensation program and recommends that the bill do pass.

A. PROVISIONS RELATED TO UNEMPLOYMENT COMPENSATION EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

(SECTION 2 OF THE BILL)

Present law

The Federal supplemental compensation (FSC) program provides additional weeks of federally financed unemployment compensation benefits to jobless workers who have exhausted all other State and Federal unemployment benefits. The number of weeks that jobless workers may receive depends on (a) the number of weeks of State unemployment benefits received by each claimant, and (b) the level of insured unemployment in the State in which the claimant qualifies for or receives the benefits.

The Federal supplemental compensation program expires on September 30, 1983. It provides four categories of benefits. (1) basic benefits; (2) additional benefits; (3) transitional benefits; and (4) phase-out benefits.

1. *Basic benefits* go to individuals who began receiving FSC after March 31, 1983. The maximum number of weeks available to individuals breaks down by State unemployment levels:

a. 14 weeks in States with insured unemployment rates (IUR's) of at least 6 percent;

b. 12 weeks in States with IUR's of at least 5 percent, but less than 6 percent;

c. 10 weeks in States with IUR's of at least 4 percent, but less than 5 percent; and

d. 8 weeks in all other States.

Initially, the Congress limited the number of weeks in a State in the first week after April 1, 1983, to no more than 4 weeks less than the maximum number of weeks payable in the State as of March 27, 1983. Public Law 98–92 changed this in September 1983 to freeze the maximum number of weeks payable under FSC in States that had already dropped at least 4 weeks since March 27 to that available for the week of July 24. Also, individuals who were on FSC before June 5, 1983, are to lose no more than 4 weeks compared to the number available in the week of March 27, 1983.

The FSC program uses the insured unemployment rate (IUR) calculated for the extended benefits (EB) program trigger. This IUR is the percent obtained from the ratio of the average weekly number of people claiming regular State unemployment compensation (UC) benefits in the most recent 13 weeks for which data are available to the average monthly UC-covered employment in the first four of the last six completed calendar quarters. For example, if California had an average of 440,000 regular benefit claimants in the last 13 weeks ending in June 1983 and its average covered employment from October 1981 through September 1982 were 10,000,000, its insured unemployment rate would be 4.4 percent.

2. *Additional benefits* go to individuals who exhausted their FSC entitlement before April 1, 1983. The maximum number of weeks available to these individuals is:

a. 10 weeks in States with an IUR of at least 6 percent;

b. 8 weeks in States with an IUR at least 4 percent; but less than 6 percent; and

c. 6 weeks in all other States.

3. *Transitional benefits* go to individuals who received FSC before April 1, 1983, and have some FSC entitlement remaining. They could receive basic and additional benefits, but the combined amount may not exceed the maximum number of basic FSC benefits available in the State before March 31, 1983.

4. *Phase-out benefits* go to individuals who received FSC benefits for the last week before the program expires. These individuals would be eligible to receive up to 50 percent of their remaining FSC entitlement. No new claimants would be added to the FSC program on or after September 30, 1983.

Brief history

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 9–248) authorized the FSC program on September 3, 1982, for a period ending on March 31, 1983. The program provided 10, 8, or 6 additional weeks of benefits to those who had exhausted their regular State benefits and any extended benefits (EB) to which they may have been entitled. The weeks available varied by State:

a. States received 10 weeks for the duration of the program if the extended benefits program was activated on or after June 1, 1982.

b. States received 8 weeks for at least a 4-week period as long as their IUR's under the EB program trigger were at least 3.5 percent.

c. States not falling in one of the first two categories received 6 weeks.

The Surface Transportation Assistance Act of 1982 (Public Law 97-425) increased the maximum number of weeks to 16, 14, 10, or 8, according to these categories:

a. 16 weeks in States with IUR's of at least 6 percent;

b. 14 weeks in States with activated EB programs between June 1, 1982 and January 6, 1983;

c. 12 weeks in States that did not meet the condition in (2) with IUR's of at least 4.5 percent, but less than 6 percent;

d. 10 weeks in States that did not meet the condition in (2) with IUR's of at least 3.5 percent, but less than 4.5 percent;

e. 8 weeks in all other States.

The Social Security Amendments of 1983 (Public Law 98-21) reauthorized the current FSC program—described under present law. The Department of Labor estimates that the FSC program will pay some $5.6 billion in benefits to over 5 million claimants from September 12, 1982, through September 30, 1983. FSC benefits are funded entirely from Federal general revenues.

Committee bill

The committee bill would extend the Federal supplemental compensation program for 18 months, from October 1, 1983, to March 31, 1985. The current program would be modified as follows:

(1) *Basic FSC benefits.*—Individuals who receive benefits on or after October 1, 1983 could receive up to a maximum of:

a. 12 weeks of benefits in States with an IUR greater than or equal to 5 percent;

b. 10 weeks of benefits in States with an IUR greater than or equal to 4 percent, but less than 5 percent;

c. 8 weeks of benefits in States with an IUR greater than or equal to 3 percent but less than 4 percent;

d. 6 weeks in all other States.

(2) *Additional FSC benefits.*—Individuals who exhaust FSC benefits on or before October 1, 1983, would not be eligible for additional weeks of benefits.

(3) *Transitional FSC benefits.*—Individuals who began receiving FSC before October 1, 1983, and have some FSC entitlement remaining after that date would generally receive whatever additional weeks, if any, they would qualify for under the new basic benefit structure. However, no one who actually receives a benefit for the week of September 25, 1983, would have his entitlement reduced below the number of weeks he could have qualified for under the phaseout provisions if the program had not been extended. For example, several States change from 8-week to 6-week States. An individual in such a State who draws his sixth week of FSC for the week of September 25 would have been entitled to one phaseout week if the program were not extended (50 percent of his remaining entitlement). Under this transitional provision, such an individual would retain his eligibility for that seventh week of FSC.

(4) *Phaseout FSC benefits.*—Individuals who have not exhausted their FSC entitlement on March 31, 1985, when the program expires, would not be eligible to receive their remaining FSC entitlement. All FSC benefits would end on March 31, 1985.

(5) *Continuation of 14-week period for high unemployment States.*—The bill eliminates the prior 14-week duration which applies to States with insured unemployment rates of 6 percent of more. However, any State which qualifies for this 14-week duration as of the week beginning September 25, 1983, will continue to qualify for 14 weeks so long as its IUR remains continuously at or above 6 percent.

(6) *Special provision for States with prolonged high unemployment.*—When a State experiences a prolonged period of extremely high unemployment, the validity of the current insured unemployment rate as an indicator of its relative unemployment situation compared with other States is weakened because such a State is likely to have a large number of individuals who exhausted their benefits (and are therefore not counted in the IUR) and who remain unemployed for a protracted period thereafter. No reliable data are available to determine the actual number of such long-term exhaustees. However, the committee bill includes a provision which effectively takes account of their presence by providing an alternative insured unemployment measure based on the average IUR over a much longer period. Under this provision, a State will qualify for the maximum basic duration (12 weeks) so long as its average insured unemployment rate equals or exceeds 6 percent over the period since January 1982. The determination as to whether a State qualifies under this provision would be made quarterly. In other words, for any given calendar quarter, a State will qualify for 12 weeks of benefits if the average IUR from January 1982 through the end of the second preceding calendar quarter is 6 percent or higher.

The committee bill places no restrictions on the extent to which benefit durations could be reduced or increased in a State as a result of changes in the insured unemployment rate. However, a State's benefit duration could not change more often than once in any 13-week period.

Effective date.—The new Federal supplemental compensation program would be effective on October 1, 1983.

Estimated cost.—The Congressional Budget Office cost estimate was not available at the time the committee report was filed. However, the Department of Labor estimates the cost of the FSC extension at $2.576 billion for fiscal year 1984 and $1.172 billion for fiscal year 1985.

DIRECT REPAYMENT OF GENERAL REVENUE ADVANCES

(SECTION 5 OF THE BILL)

Present law

Title XII of the Social Security Act authorizes advances from general revenues to the Federal unemployment account (FUA) of the unemployment trust fund. This is the account from which loans are made to the State and to which repayments of those loans are credited. Such advances may be repaid only if: (1) the FUA exceeds its statutory limit at the end of a fiscal year and (2) the employment security account (ESSA) exceeds its statutory end-of-year limit. The law requires any excess from FUA to be transferred directly to the ESSA. Any excess from ESSA would then be transferred to the extended unemployment compensation account (EUCA) from which general revenue advances may be repaid.

Committee bill

The committee bill would allow for direct repayment of general revenue advances from the State loan account in the unemployment trust fund, if the Secretary of Labor and the Secretary of the Treasury determine that adequate funds are available in the account for such purpose. This amendment would ultimately allow for the full repayment of all outstanding general revenue advances to the FUA account.

REPORT ON EFFORTS TO PREVENT INCORRECT UNEMPLOYMENT COMPENSATION PAYMENTS

(SECTION 6 OF THE BILL)

The committee bill would require the Secretary of Labor, the Attorney General, and the Director of the Office of Personnel Management to issue a report to Congress which will detail the steps which could be taken to ensure that unemployment benefits are not paid to certain retired individuals or prisoners. The report should include recommendations for further legislation which might be necessary to aid in preventing such incorrect payments. The report must be submitted to Congress by December 31, 1983.

B. Other Provisions

EXTENSION OF PROVISIONS RELATING TO DEPENDENT CHILDREN VOLUNTARILY PLACED IN FOSTER CARE

(SECTION 7 OF THE BILL)

Present law

The Adoption Assistance and Child Welfare Act of 1980 (Public Law 96–272) included a provision authorizing Federal matching on a temporary basis for payments made on behalf of children voluntarily placed in foster case. The statute provides that, in those States that have implemented specified foster care protections and procedures, Federal foster care matching funds are available until September 30, 1983, for children who have been voluntarily removed from their home (without a judicial determination), if such removal is pursuant to a voluntary placement agreement. The voluntary placement agreement must be revocable on the part of the parent unless the child welfare agency objects and obtains a judicial determination that the return of the child to the home would not be in the best interests of the child. There must be a judicial determination of a voluntary placement within 6 months to the effect that such placement is in the best interests of the child. The Secretary of Health and Human Services must report annually to the Congress on the number of children placed under this provision.

Committee bill

The committee bill would extend the voluntary placement provision for 1 year, to September 30, 1984. The Secretary of Health and Human Services would then have the opportunity to issue a report on the number of children placed under this provision and the cost of the voluntary placements.

Effective date.—October 1, 1983.

Estimated cost.—Negligible.

INCREASE IN TITLE XX FUNDING

(SECTION 8 OF THE BILL)

Present law

The social services block grant authorizes grants to the States, on an entitlement basis, to encourage them to furnish services aimed at five goals: (1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency; (2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency; (3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving rehabilitating or reuniting families; (4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and (5) securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.

In fiscal year 1983, the entitlement ceiling for the block grant was $2.4 billion. In fiscal year 1984, the entitlement ceiling is increased to $2.5 billion.

Committee bill

The committee bill would increase the statutory funding level for the title XX, social services block grant, by $200 million for fiscal year 1984. The statutory funding level for title XX would thus be increased from $2.5 billion to $2.7 billion.

Effective date.—October 1, 1983.

Estimated cost.—Fiscal year 1984, $200 million.

Regulatory Impact Statement

Because of the urgent nature of this legislation and the necessity for prompt action to assure the continued payment of federal supplemental compensation benefits, it is necessary to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate relating to regulatory impact statements as is provided for in the last sentence of such paragraph.

Changes in Existing Law Made by the Revenue Provisions of the Bill as Reported

In the opinion of the committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law by the provisions of S. 1887 as reported by the committee).

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