

<b>U.S. DEPARTMENT OF LABOR</b> <b>Employment and Training Administration</b> <b>Washington, D. C. 20210</b>	<b>CLASSIFICATION</b>
	UI
	<b>CORRESPONDENCE SYMBOL</b>
	TEU
	<b>ISSUE DATE</b>
	February 17, 1988
<b>RESCISSIONS</b>	<b>EXPIRATION DATE</b>
None	February 28, 1989

**DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-88**

**TO : ALL STATE EMPLOYMENT SECURITY AGENCIES**

**FROM : DONALD J. KULICK**  
**Administrator**  
**for Regional Management**

**SUBJECT : The Budget Reconciliation Act of 1987 (Public Law 100-203) --  
Provisions Affecting the Federal-State Unemployment Compensation  
Program**

1. **Purpose.** To advise State agencies of the provisions of the Budget Reconciliation Act of 1987 (P.L. 100-203) which affect the Federal-State Extended Unemployment Compensation Program, amend Titles IX and XII of the Social Security Act (SSA), and amend Section 3301 of the Federal Unemployment Tax Act (FUTA).
2. **References.** Sections 9151 to 9156 of P. L. 100-203.
3. **Background.** On December 22, 1987, the President signed into law the Budget Reconciliation Act of 1987 (P.L. 100-203). P.L. 100-203 contains several provisions which affect the unemployment compensation (UC) program. However, none of these provisions will require changes in State UC laws. Following is a summary of the changes made.

Section 9151 gives States an additional seven months to comply with Section 202(a)(3), Federal-State Extended Unemployment Compensation Act of 1970, as added by Section 1024(a) of the Omnibus Reconciliation Act of 1980 (P.L. 96-499). Section 202(a)(3), originally effective April 1, 1981, now applies, only for the purpose of determining the Federal share of extended benefits, to weeks of unemployment beginning after October 31, 1981, or in the case of one State, to weeks of unemployment beginning after October 31, 1982. Section 202(a)(3) established a new "work test" for individuals claiming extended benefits. The change makes extended benefits sharable for weeks of unemployment beginning after March 31, 1981 to October 31, 1981. In the case of any State where the

State legislature did not meet in 1981, the change will apply to weeks of unemployment beginning after October 31, 1982.

Section 9152 directs the Secretary of Labor to carry out three demonstration projects, under agreements with three States, to test the feasibility of providing self-employment allowances to unemployment insurance recipients. These allowances will be paid in the same amount, on the same terms and subject to the same conditions as regular or extended benefits, except that State and Federal requirements related to availability for work, active search for work or refusal to accept suitable work will not apply. A copy of Section 9152 is attached. (See Attachment II.) Further details regarding these demonstration projects will be issued in a separate directive.

Section 9153 extends for three years the 0.2 percent surtax on the employer payroll tax imposed by Section 3301, FUTA. This means the employer payroll tax will remain at 6.2 percent of the first \$7,000 paid annually to each employee until the end of the calendar year 1990. Prior to this amendment to Section 3301, FUTA, the 0.2 percent surtax was due to expire at the end of 1987.

Section 9154 amends various provisions in Title IX, SSA, which govern account ceilings of certain accounts in the Unemployment Trust Fund. Specifically, Section 9154 amends:

(a) Section 901, SSA, by adding new subsection (g) which directs the transfer of an amount equal to the amount of the 0.2 percent surtax from the Employment Security Administration Account to the Federal Unemployment Account and the Extended Unemployment Compensation Account. Subsection (g) provides that an amount equal to 50 percent of the amount of the surtax received will be transferred to each account.

(b) Section 902(a)(2), SSA, by increasing the ceiling in the Federal Unemployment Account from "one-eighth" to "five-eighths" of 1 percent of total wages covered under the State laws.

(c) Section 905(b)(2)(B), SSA, by increasing the ceiling in the Extended Unemployment Compensation Account from "one-eighth" to "three-eighths" of 1 percent of total wages covered under the State laws.

Section 9155 amends:

(a) Section 905(d), SSA, to require payment of interest on advances made from the General Fund to the Extended Unemployment Compensation Account. Interest will be charged at the same rate borne by all interest bearing obligations of the United States then forming part of the public debt.

(b) Section 1203, SSA, to charge interest to advances made from the General Fund to the Federal Unemployment Account. Interest will be charged at the same rate borne by all interest bearing obligations of the United States then forming part of the public debt.

Section 9156 amends Section 1202, SSA, to require the crediting to the Federal Unemployment Account interest paid on advances made to States under Section 1201, SSA. This amendment shall apply to interest paid on advances made on or after the date of enactment, December 22, 1987.

4. **Action Required.** SESAs are requested to notify appropriate staff of these provisions.
5. **Inquiries.** Inquiries should be directed to your Regional Office.
6. **Attachments.**

- I. [Text, explanation and interpretation of changes to Federal-State Unemployment Compensation \(UC\) Program.](#)

- II. [Text of Section 9152.](#)