

117TH CONGRESS
1ST SESSION

S. 2898

To amend title III of the Social Security Act to provide for improvements to State unemployment systems and to strengthen program integrity, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 29, 2021

Mr. YOUNG introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title III of the Social Security Act to provide for improvements to State unemployment systems and to strengthen program integrity, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Unemployment Insur-
5 ance Systems Modernization Act of 2021”.

6 **SEC. 2. IMPROVEMENTS TO STATE UNEMPLOYMENT SYS-**
7 **TEMS AND STRENGTHENING PROGRAM IN-**
8 **TEGRITY.**

9 (a) UNEMPLOYMENT COMPENSATION SYSTEMS.—

1 (1) IN GENERAL.—Section 303(a) of the Social
2 Security Act (42 U.S.C. 503(a)) is amended—

3 (A) in the matter preceding paragraph (1),
4 by striking “provision for—” and inserting
5 “provision for each of the following.”;

6 (B) at the end of each of paragraphs (1)
7 through (10), by striking “; and” and inserting
8 a period;

9 (C) in paragraph (11)(B), by striking
10 “The immediate” and inserting “the imme-
11 diate”; and

12 (D) by adding at the end the following new
13 paragraph:

14 “(13) The State system shall, in addition to
15 meeting the requirements under section 1137, meet
16 the following requirements:

17 “(A) The system shall be capable of accu-
18 rately and expeditiously processing a surge of
19 claims, including those filed under temporary
20 Federal benefit programs that the State may be
21 expected to administer, that would represent a
22 twentyfold increase in claims from January
23 2020 levels, occurring over a one-month period.

24 “(B) The system shall be capable of—

1 “(i) adjusting wage replacement levels
2 for each individual receiving unemployment
3 compensation, but not to exceed 100 per-
4 cent of wage replacement;

5 “(ii) adjusting weekly earnings dis-
6 regards, including the ability to adjust
7 such disregards in relation to an individ-
8 ual’s earnings or weekly benefit amount;
9 and

10 “(iii) providing for wage replacement
11 levels that vary based on the individual’s
12 duration of benefit receipt.

13 “(C) The system shall have in place an
14 automated process for receiving and processing
15 claims for disaster unemployment assistance
16 under section 410(a) of the Robert T. Stafford
17 Disaster Relief and Emergency Assistance Act
18 (42 U.S.C. 5177(a)), with flexibility to adapt
19 rules regarding individuals eligible for assist-
20 ance and the amount payable.

21 “(D) In the case of a State that makes
22 payments of short-time compensation under a
23 short-time compensation program (as defined in
24 section 3306(v) of the Internal Revenue Code of
25 1986), the system shall have in place an auto-

1 mated process of receiving and processing
2 claims for short-time compensation.

3 “(E) The system shall have in place an
4 automated process for receiving and processing
5 claims for—

6 “(i) unemployment compensation for
7 Federal civilian employees under sub-
8 chapter I of chapter 85 of title 5, United
9 States Code;

10 “(ii) unemployment compensation for
11 ex-servicemembers under subchapter II of
12 chapter 85 of title 5, United States Code;
13 and

14 “(iii) trade readjustment allowances
15 under sections 231 through 233 of the
16 Trade Act of 1974 (19 U.S.C. 2291–
17 2293).

18 “(F) The system shall have in place an
19 automated process capable of receiving and
20 processing claims under future temporary Fed-
21 eral benefit programs, such as those that
22 may—

23 “(i) provide extended benefits for indi-
24 viduals exhausting State compensation
25 (such as under the Pandemic Emergency

Unemployment Compensation program established in section 2107 of the CARES Act (15 U.S.C. 9025)); or

“(ii) expand coverage to include individuals not eligible for State compensation (such as under the Pandemic Unemployment Assistance program established in section 2102 of the CARES Act (15 U.S.C. 9021)).”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to weeks of unemployment beginning on or after the earlier of—

(A) the date the State changes its statutes, regulations, or policies in order to comply with such amendment; or

(B) October 1, 2024.

(b) ELECTRONIC TRANSMISSION OF UNEMPLOYMENT COMPENSATION INFORMATION.—Section 303 of the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following new subsection:

“(n) ELECTRONIC TRANSMISSION OF UNEMPLOYMENT COMPENSATION INFORMATION.—

“(1) IN GENERAL.—Not later than October 1, 2024, the State agency charged with administration of the State law shall use a system developed (in

1 consultation with stakeholders) and designated by
2 the Secretary of Labor for automated electronic
3 transmission of requests for information relating to
4 unemployment compensation and the provision of
5 such information between such agency and employ-
6 ers or their agents. Such system shall ensure that
7 any information shared is secure and safeguarded
8 from potential abuse or misuse.

9 “(2) USE OF APPROPRIATED FUNDS.—The Sec-
10 retary of Labor may use funds appropriated for
11 grants to States under this title to make payments
12 on behalf of States as the Secretary determines is
13 appropriate for the use of the system described in
14 paragraph (1).

15 “(3) EMPLOYER PARTICIPATION.—The Sec-
16 retary of Labor shall work with the State agency
17 charged with administration of the State law to in-
18 crease the number of employers using this system
19 and to resolve any technical challenges with the sys-
20 tem.

21 “(4) REPORTS ON USE OF ELECTRONIC SYS-
22 TEM.—After the end of each fiscal year, on a date
23 determined by the Secretary, each State shall report
24 to the Secretary information on—

1 “(A) the proportion of employers using the
2 designated system described in paragraph (1);

3 “(B) the reasons employers are not using
4 such system; and

5 “(C) the efforts the State is undertaking
6 to increase employer’s use of such system.

7 “(5) ENFORCEMENT.—Whenever the Secretary
8 of Labor, after reasonable notice and opportunity for
9 hearing to the State agency charged with the admin-
10 istration of the State law, finds that there is a fail-
11 ure to comply substantially with the requirements of
12 paragraph (1), the Secretary of Labor shall notify
13 such State agency that further payments will not be
14 made to the State until the Secretary of Labor is
15 satisfied that there is no longer any such failure.
16 Until the Secretary of Labor is so satisfied, such
17 Secretary shall make no future certification to the
18 Secretary of the Treasury with respect to the
19 State.”.

20 (c) UNEMPLOYMENT COMPENSATION INTEGRITY
21 DATA HUB.—

22 (1) IN GENERAL.—Section 303(a) of the Social
23 Security Act (42 U.S.C. 503(a)), as amended by
24 subsection (a), is amended by adding at the end the
25 following new paragraph:

1 “(14) The State agency charged with adminis-
 2 tration of the State law shall use the system des-
 3 ignated by the Secretary of Labor for cross-match-
 4 ing claimants of unemployment compensation under
 5 State law against any databases in the system to
 6 prevent and detect fraud and improper payments.”.

7 (2) EFFECTIVE DATE.—The amendment made
 8 by paragraph (1) shall apply to weeks of unemploy-
 9 ment beginning on or after the earlier of—

10 (A) the date the State changes its statutes,
 11 regulations, or policies in order to comply with
 12 such amendment; or

13 (B) October 1, 2024.

14 (d) USE OF NATIONAL DIRECTORY OF NEW HIRES
 15 IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION
 16 PROGRAMS AND PENALTIES ON NONCOMPLYING EMPLOY-
 17 ERS.—

18 (1) IN GENERAL.—Section 303 of the Social
 19 Security Act (42 U.S.C. 503), as amended by sub-
 20 section (b), is amended by adding at the end the fol-
 21 lowing new subsection:

22 “(o) USE OF NATIONAL DIRECTORY OF NEW
 23 HIRES.—

1 “(1) IN GENERAL.—Not later than October 1,
2 2024, the State agency charged with administration
3 of the State law shall—

4 “(A) compare information in the National
5 Directory of New Hires established under sec-
6 tion 453(i) against information about individ-
7 uals claiming unemployment compensation to
8 identify any such individuals who may have be-
9 come employed, in accordance with any regula-
10 tions or guidance that the Secretary of Health
11 and Human Services may issue and consistent
12 with the computer matching provisions of the
13 Privacy Act of 1974;

14 “(B) take timely action to verify whether
15 the individuals identified pursuant to subpara-
16 graph (A) are employed; and

17 “(C) upon verification pursuant to sub-
18 paragraph (B), take appropriate action to sus-
19 pend or modify unemployment compensation
20 payments, and to initiate recovery of any im-
21 proper unemployment compensation payments
22 that have been made.

23 “(2) ENFORCEMENT.—Whenever the Secretary
24 of Labor, after reasonable notice and opportunity for
25 hearing to the State agency charged with the admin-

1 istration of the State law, finds that there is a fail-
2 ure to comply substantially with the requirements of
3 paragraph (1), the Secretary of Labor shall notify
4 such State agency that further payments will not be
5 made to the State until the Secretary of Labor is
6 satisfied that there is no longer any such failure.
7 Until the Secretary of Labor is so satisfied, such
8 Secretary shall make no future certification to the
9 Secretary of the Treasury with respect to the
10 State.”.

11 (2) PENALTIES.—

12 (A) IN GENERAL.—Section 453A(d) of the
13 Social Security Act (42 U.S.C. 653a(d)), in the
14 matter preceding paragraph (1), is amended by
15 striking “have the option to set a State civil
16 money penalty which shall not exceed” and in-
17 serting “set a State civil money penalty which
18 shall be not less than”.

19 (B) EFFECTIVE DATE.—The amendment
20 made by subparagraph (A) shall apply to pen-
21 alties assessed on or after October 1, 2024.

22 (e) STATE PERFORMANCE.—

23 (1) IN GENERAL.—Section 303 of the Social
24 Security Act (42 U.S.C. 503), as amended by sub-

1 sections (b) and (d), is amended by adding at the
2 end the following new subsection:

3 “(p) STATE PERFORMANCE.—

4 “(1) IN GENERAL.—For purposes of assisting
5 States in meeting the requirements of this title, title
6 IX, title XII, or chapter 23 of the Internal Revenue
7 Code of 1986 (commonly referred to as ‘the Federal
8 Unemployment Tax Act’), the Secretary of Labor
9 may—

10 “(A) consistent with subsection (a)(1), es-
11 tablish measures of State performance, includ-
12 ing criteria for acceptable levels of performance,
13 performance goals, and performance measure-
14 ment programs;

15 “(B) consistent with subsection (a)(6), re-
16 quire States to provide to the Secretary of
17 Labor data or other relevant information from
18 time to time concerning the operations of the
19 State or State performance, including the meas-
20 ures, criteria, goals, or programs established
21 under paragraph (1);

22 “(C) require States with sustained failure
23 to meet acceptable levels of performance or with
24 performance that is substantially below accept-
25 able standards, as determined based on the

1 measures, criteria, goals, or programs estab-
2 lished under subparagraph (A), to implement
3 specific corrective actions and use specified
4 amounts of the administrative grants under this
5 title provided to such States to improve per-
6 formance; and

7 “(D) based on the data and other informa-
8 tion provided under subparagraph (B)—

9 “(i) to the extent the Secretary of
10 Labor determines funds are available after
11 providing grants to States under this title
12 for the administration of State laws, recog-
13 nize and make awards to States for per-
14 formance improvement, or performance ex-
15 ceeding the criteria or meeting the goals
16 established under subparagraph (A); or

17 “(ii) to the extent the Secretary of
18 Labor determines funds are available after
19 providing grants to States under this title
20 for the administration of State laws, pro-
21 vide incentive funds to high-performing
22 States based on the measures, criteria,
23 goals, or programs established under sub-
24 paragraph (A).

1 “(2) ENFORCEMENT.—Whenever the Secretary
2 of Labor, after reasonable notice and opportunity for
3 hearing to the State agency charged with the admin-
4 istration of the State law, finds that there is a fail-
5 ure to comply substantially with the requirements of
6 paragraph (1), the Secretary of Labor shall notify
7 such State agency that further payments will not be
8 made to the State until the Secretary of Labor is
9 satisfied that there is no longer any such failure.
10 Until the Secretary of Labor is so satisfied, such
11 Secretary shall make no future certification to the
12 Secretary of the Treasury with respect to the
13 State.”.

14 (2) EFFECTIVE DATE.—The amendments made
15 by this subsection shall take effect on the date of en-
16 actment of this Act.

17 (f) FUNDING.—Notwithstanding any other provision
18 of law, out of any payments of compensation from the un-
19 employment fund of the State that were made under the
20 provisions of subtitle A of title II of division A of the
21 CARES Act and are determined to have been made in
22 error and are subsequently recovered by the State, the
23 State may, immediately following receipt of such recovered
24 amount—

1 (1) deposit 50 percent of such amount in a
 2 fund from which moneys may be withdrawn to carry
 3 out the provisions of, and the amendments made by,
 4 this section, including any regional or multi-State ef-
 5 forts; and

6 (2) pay 50 percent of such amount to the Sec-
 7 retary of the Treasury to the credit of the account
 8 of the State in the Unemployment Trust Fund.

9 (g) PERMISSIBLE USE OF CARES ACT FUNDING.—
 10 Section 2118 of the CARES Act (15 U.S.C. 9034) is
 11 amended by adding at the end the following new sub-
 12 section:

13 “(d) PERMISSIBLE USE OF GRANT FUNDS.—A grant
 14 to a State or territory awarded under subsection (b)(3)
 15 may be used for purposes of carrying out the provisions
 16 of, and the amendments made by, subsections (a) through
 17 (e) of section 2 of the Unemployment Insurance Systems
 18 Modernization Act of 2021.”.

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