

1 Title: To amend title III of the Social Security Act to provide for improvements to State
2 unemployment systems and to strengthen program integrity, and for other purposes.
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5 Be it enacted by the Senate and House of Representatives of the United States of America in
6 Congress assembled,

7 **SECTION 1. SHORT TITLE.**

8 This Act may be cited as the “Unemployment Insurance Systems Modernization Act of 2021”.

9 **SEC. 2. IMPROVEMENTS TO STATE UNEMPLOYMENT**
10 **SYSTEMS AND STRENGTHENING PROGRAM**
11 **INTEGRITY.**

12 (a) Unemployment Compensation Systems.—

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

15 (A) in the matter preceding paragraph (1), by striking “provision for—” and
16 inserting “provision for each of the following:”;

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

19 (C) in paragraph (11)(B), by striking “The immediate” and inserting “the
20 immediate”; and

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

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

24 “(A) The system shall be capable of accurately and expeditiously processing a surge
25 of claims, including those filed under temporary Federal benefit programs that the
26 State may be expected to administer, that would represent a twentyfold increase in
27 claims from January 2020 levels, occurring over a one-month period.

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

29 “(i) adjusting wage replacement levels for each individual receiving
30 unemployment compensation, but not to exceed 100 percent of wage replacement;

31 “(ii) adjusting weekly earnings disregards, including the ability to adjust such
32 disregards in relation to an individual’s earnings or weekly benefit amount; and

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

35 “(C) The system shall have in place an automated process for receiving and
36 processing claims for disaster unemployment assistance under section 410(a) of the
37 Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5177(a)),

1 with flexibility to adapt rules regarding individuals eligible for assistance and the
2 amount payable.

3 “(D) In the case of a State that makes payments of short-time compensation under a
4 short-time compensation program (as defined in section 3306(v) of the Internal
5 Revenue Code of 1986), the system shall have in place an automated process of
6 receiving and processing claims for short-time compensation.

7 “(E) The system shall have in place an automated process for receiving and
8 processing claims for—

9 “(i) unemployment compensation for Federal civilian employees under
10 subchapter I of chapter 85 of title 5, United States Code;

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

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

15 “(F) The system shall have in place an automated process capable of receiving and
16 processing claims under future temporary Federal benefit programs, such as those that
17 may—

18 “(i) provide extended benefits for individuals exhausting State compensation
19 (such as under the Pandemic Emergency Unemployment Compensation program
20 established in section 2107 of the CARES Act (15 U.S.C. 9025)); or

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

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

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

28 (B) October 1, 2024.

29 (b) Electronic Transmission of Unemployment Compensation Information.—Section 303 of
30 the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following new
31 subsection:

32 “(n) Electronic Transmission of Unemployment Compensation Information.—

33 “(1) IN GENERAL.—Not later than October 1, 2024, the State agency charged with
34 administration of the State law shall use a system developed (in consultation with
35 stakeholders) and designated by the Secretary of Labor for automated electronic
36 transmission of requests for information relating to unemployment compensation and the
37 provision of such information between such agency and employers or their agents. Such
38 system shall ensure that any information shared is secure and safeguarded from potential
39 abuse or misuse.

40 “(2) USE OF APPROPRIATED FUNDS.—The Secretary of Labor may use funds appropriated

1 for grants to States under this title to make payments on behalf of States as the Secretary
2 determines is appropriate for the use of the system described in paragraph (1).

3 “(3) EMPLOYER PARTICIPATION.—The Secretary of Labor shall work with the State
4 agency charged with administration of the State law to increase the number of employers
5 using this system and to resolve any technical challenges with the system.

6 “(4) REPORTS ON USE OF ELECTRONIC SYSTEM.—After the end of each fiscal year, on a
7 date determined by the Secretary, each State shall report to the Secretary information on—

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

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

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

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

19 (c) Unemployment Compensation Integrity Data Hub.—

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

22 “(14) The State agency charged with administration of the State law shall use the system
23 designated by the Secretary of Labor for cross-matching claimants of unemployment
24 compensation under State law against any databases in the system to prevent and detect
25 fraud and improper payments.”.

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

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

30 (B) October 1, 2024.

31 (d) Use of National Directory of New Hires in Administration of Unemployment
32 Compensation Programs and Penalties on Noncomplying Employers.—

33 (1) IN GENERAL.—Section 303 of the Social Security Act (42 U.S.C. 503), as amended by
34 subsection (b), is amended by adding at the end the following new subsection:

35 “(o) Use of National Directory of New Hires.—

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

38 “(A) compare information in the National Directory of New Hires established under
39 section 453(i) against information about individuals claiming unemployment

1 compensation to identify any such individuals who may have become employed, in
2 accordance with any regulations or guidance that the Secretary of Health and Human
3 Services may issue and consistent with the computer matching provisions of the
4 Privacy Act of 1974;

5 “(B) take timely action to verify whether the individuals identified pursuant to
6 subparagraph (A) are employed; and

7 “(C) upon verification pursuant to subparagraph (B), take appropriate action to
8 suspend or modify unemployment compensation payments, and to initiate recovery of
9 any improper unemployment compensation payments that have been made.

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

17 (2) PENALTIES.—

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

22 (B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply to
23 penalties assessed on or after October 1, 2024.

24 (e) State Performance.—

25 (1) IN GENERAL.—Section 303 of the Social Security Act (42 U.S.C. 503), as amended by
26 subsections (b) and (d), is amended by adding at the end the following new subsection:

27 “(p) State Performance.—

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

31 “(A) consistent with subsection (a)(1), establish measures of State performance,
32 including criteria for acceptable levels of performance, performance goals, and
33 performance measurement programs;

34 “(B) consistent with subsection (a)(6), require States to provide to the Secretary of
35 Labor data or other relevant information from time to time concerning the operations
36 of the State or State performance, including the measures, criteria, goals, or programs
37 established under paragraph (1);

38 “(C) require States with sustained failure to meet acceptable levels of performance
39 or with performance that is substantially below acceptable standards, as determined
40 based on the measures, criteria, goals, or programs established under subparagraph
41 (A), to implement specific corrective actions and use specified amounts of the

1 administrative grants under this title provided to such States to improve performance;
2 and

3 “(D) based on the data and other information provided under subparagraph (B)—

4 “(i) to the extent the Secretary of Labor determines funds are available after
5 providing grants to States under this title for the administration of State laws,
6 recognize and make awards to States for performance improvement, or
7 performance exceeding the criteria or meeting the goals established under
8 subparagraph (A); or

9 “(ii) to the extent the Secretary of Labor determines funds are available after
10 providing grants to States under this title for the administration of State laws,
11 provide incentive funds to high-performing States based on the measures, criteria,
12 goals, or programs established under subparagraph (A).

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

20 (2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the
21 date of enactment of this Act.

22 (f) Funding.—Notwithstanding any other provision of law, out of any payments of
23 compensation from the unemployment fund of the State that were made under the provisions of
24 subtitle A of title II of division A of the CARES Act and are determined to have been made in
25 error and are subsequently recovered by the State, the State may, immediately following receipt
26 of such recovered amount—

27 (1) deposit 50 percent of such amount in a fund from which moneys may be withdrawn to
28 carry out the provisions of, and the amendments made by, this section, including any
29 regional or multi-State efforts; and

30 (2) pay 50 percent of such amount to the Secretary of the Treasury to the credit of the
31 account of the State in the Unemployment Trust Fund.

32 (g) Permissible Use of CARES Act Funding.—Section 2118 of the CARES Act (15 U.S.C.
33 9034) is amended by adding at the end the following new subsection:

34 “(d) Permissible Use of Grant Funds.—A grant to a State or territory awarded under
35 subsection (b)(3) may be used for purposes of carrying out the provisions of, and the
36 amendments made by, subsections (a) through (e) of section 2 of the Unemployment Insurance
37 Systems Modernization Act of 2021.”.