

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5418

To reform the administrative funding of the unemployment compensation and employment service programs; to improve State administration and flexibility with respect to such program, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 19, 2002

Mr. MCCRERY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To reform the administrative funding of the unemployment compensation and employment service programs; to improve State administration and flexibility with respect to such program, 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 “Employment Security  
5 Reform Act of 2002”.

**1 SEC. 2. TABLE OF CONTENTS.**

**2** The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

TITLE I—TAX PROVISIONS

- Sec. 101. Reduction of FUTA tax rate.
- Sec. 102. Reduced rate.
- Sec. 103. Quarterly payment of unemployment taxes.

TITLE II—FEDERAL-STATE EXTENDED BENEFITS REFORM

- Sec. 201. Repeal of certain State law extended benefit requirements.
- Sec. 202. Change in State trigger for extended compensation.

TITLE III—ADMINISTRATIVE FUNDING PROVISIONS

- Sec. 301. Amendments to title III of the Social Security Act.
- Sec. 302. Amendments to title IX of the Social Security Act.
- Sec. 303. Amendments to title XII of the Social Security Act.
- Sec. 304. Amendments to Wagner-Peyser Act.
- Sec. 305. Amendments to the Federal Unemployment Tax Act.
- Sec. 306. Amendment to title 39 of the United States Code.

TITLE IV—REED ACT PROVISIONS

- Sec. 401. Special Reed Act transfers in fiscal years 2004 and 2005.
- Sec. 402. Repeal of special rules for State Reed Act appropriation laws.
- Sec. 403. Repeal of special conditions on recent Reed Act distributions.
- Sec. 404. Restoration authority repealed.

TITLE V—MISCELLANEOUS PROVISIONS

- Sec. 501. Transfer of Federal equity in State employment security agency real property to the States.
- Sec. 502. State use of compensating balances and interest earned on clearing account to pay associated banking costs.
- Sec. 503. Treatment of short-time compensation programs.
- Sec. 504. Method of verifying citizenship status for unemployment benefits.
- Sec. 505. Use of new hire information to assist in administration of unemployment compensation programs.
- Sec. 506. Repeal of provision limiting eligibility of certain Federal employees.
- Sec. 507. Treatment of pension rollovers.
- Sec. 508. Regulations.

**3 TITLE I—TAX PROVISIONS**

**4 SEC. 101. REDUCTION OF FUTA TAX RATE.**

**5** (a) REDUCTION OF TAX RATE.—Section 3301 of the  
**6** Internal Revenue Code of 1986 (26 U.S.C. 3301) is  
**7** amended to read as follows:

1 **“SEC. 3301. RATE OF TAX.**

2 “There is hereby imposed on every employer (as de-  
3 fined in section 3306(a)) for each calender year an excise  
4 tax, with respect to having individuals in his employ, equal  
5 to—

6 “(1) 6.2 percent in the case of calendar year  
7 2002,

8 “(2) 6.0 percent in the case of calendar years  
9 2003 and 2004,

10 “(3) 5.8 percent in the case of calendar years  
11 2005 and 2006, or

12 “(4) 5.6 percent in the case of calendar year  
13 2007 and each calendar year thereafter,

14 of the total wages (as defined in section 3306(b)) paid  
15 by the employer during the calendar year with respect to  
16 employment (as defined in section 3306(c)).”.

17 (b) CREDITS AGAINST TAX.—Section 3302 of such  
18 Code (26 U.S.C. 3302) is amended—

19 (1) in subsection (c)(1), by striking “90 percent  
20 of the tax against which such credits are allowable”  
21 and inserting “an amount equal to 5.4 percent of  
22 the total wages (as defined in section 3306(b)) paid  
23 by the taxpayer during the calendar year with re-  
24 spect to employment (as defined in section  
25 3306(c))”, and

1           (2) in subsection (d), by striking paragraph (1)  
2           and redesignating paragraphs (2) through (7) as  
3           paragraphs (1) through (6), respectively.

4           (c) CONFORMING AMENDMENT.—Subsection (b) of  
5           section 6157 of such Code is amended to read as follows:

6           “(b) COMPUTATION OF TAX.—The tax for any cal-  
7           endar quarter or other period referred to in paragraph (1)  
8           or (2) of subsection (a) shall be computed by multiplying  
9           the amount of wages (as defined in section 3306(b)) paid  
10          in such calendar quarter or other period by—

11           “(1) 0.8 percent in the case of wages paid dur-  
12          ing 2002,

13           “(2) 0.6 percent in the case of wages paid dur-  
14          ing 2003 or 2004,

15           “(3) 0.4 percent in the case of wages paid dur-  
16          ing 2005 or 2006, and

17           “(4) 0.2 percent in the case of wages after  
18          2006.”

19          (d) EFFECTIVE DATE.—The amendments made by  
20          this section shall take effect on January 1, 2003.

21       **SEC. 102. REDUCED RATE.**

22          (a) DEFINITION.—Section 3303(c)(8) of the Internal  
23          Revenue Code of 1986 (26 U.S.C. 3303(c)(8)) is amended  
24          to read as follows:

1           “(8) REDUCED RATE.—The term reduced rate  
2           means a rate of contributions of less than 5.4 per-  
3           cent.”.

4           (b) CONFORMING AMENDMENT.—Section 3302(b) of  
5           such Code (26 U.S.C. 3302(b)) is amended by striking  
6           all that follows “State law” and inserting “to a rate of  
7           5.4 percent.”.

8           (c) EFFECTIVE DATE.—The amendments made by  
9           this section shall take effect on January 1, 2003.

10 **SEC. 103. QUARTERLY PAYMENT OF UNEMPLOYMENT**  
11 **TAXES.**

12           (a) GENERAL RULE.—Section 6157(a) of the Inter-  
13           nal Revenue Code of 1986 (26 U.S.C. 6157(a)) is amend-  
14           ed by adding at the end the following new sentence: “Such  
15           regulations may not require such tax for any calendar  
16           quarter or other period to be paid before the last day of  
17           the first calendar month beginning after such quarter or  
18           other period.”

19           (b) STATE LAW REQUIREMENT.—

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

22                         (A) in paragraph (10), by striking the pe-  
23                         riod and inserting “; and”; and

24                         (B) by adding at the end the following new  
25                         paragraph:

1           “(11) A requirement that contributions to un-  
2           employment funds be due and payable on the last  
3           day of the first calendar month following the close  
4           of the preceding calendar quarter, except for pay-  
5           ments in lieu of contributions described in section  
6           3304(a)(6)(B) of the Federal Unemployment Tax  
7           Act or as otherwise provided in sections 3510 and  
8           6157(e) of the Internal Revenue Code of 1986.”.

9           (2) EFFECTIVE DATE.—The amendment made  
10          by paragraph (1) shall take effect 1 year after the  
11          date of the enactment of this Act, except that, in the  
12          case of a State the legislature of which does not  
13          meet in a regularly scheduled session during cal-  
14          endar year 2003, the amendment made by para-  
15          graph (1) shall take effect 2 years after the date of  
16          the enactment of this Act.

17                   **TITLE II—FEDERAL-STATE**  
18                   **EXTENDED BENEFITS REFORM**

19           **SEC. 201. REPEAL OF CERTAIN STATE LAW EXTENDED BEN-**  
20                   **EFIT REQUIREMENTS.**

21           (a) IN GENERAL.—Section 202 of the Federal-State  
22           Extended Unemployment Compensation Act of 1970 (26  
23           U.S.C. 3304 note) is amended—

24                   (1) in subsection (a), by striking paragraphs  
25                   (3) through (7); and

1           (2) by striking subsection (c).

2           (b) CONFORMING AMENDMENT.—Paragraph (4) of  
3 section 231(a) of the Trade Act of 1974 (19 U.S.C.  
4 2291(a)(4)) is repealed.

5           (c) EFFECTIVE DATE.—

6           (1) IN GENERAL.—The amendments made by  
7 this section shall apply to weeks of unemployment  
8 beginning after the end of the 1-year period begin-  
9 ning on the date of the enactment of this Act, except  
10 that a State may amend its State law to provide for  
11 the payment of extended compensation in accordance  
12 with the amendments made by this section for weeks  
13 of unemployment beginning before the end of such  
14 period (but not for any week beginning before it so  
15 amends its State law).

16           (2) EXCEPTION.—In the case of a State the  
17 legislature of which does not meet in a regular ses-  
18 sion which closes during calendar year 2003, para-  
19 graph (1) shall be applied by substituting “2-year”  
20 for “1-year”.

21 **SEC. 202. CHANGE IN STATE TRIGGER FOR EXTENDED COM-**  
22 **PENSATION.**

23           (a) IN GENERAL.—Section 203(d) of the Federal-  
24 State Extended Unemployment Compensation Act of 1970  
25 (26 U.S.C. 3304 note) is amended—

1 (1) in paragraph (1)(B), by striking “5” and  
2 inserting “4”; and

3 (2) in the first sentence following paragraph  
4 (2)—

5 (A) by striking “Effective with respect to  
6 compensation for weeks of unemployment be-  
7 ginning after March 30,1977 (or, if later, the  
8 date established pursuant to State law), the”  
9 and inserting “The”; and

10 (2) by striking “the figure ‘5’ contained in sub-  
11 paragraph (B) thereof were ‘6’” and inserting “the  
12 figure ‘4’ contained in subparagraph (B) thereof  
13 were ‘5’”.

14 (b) EFFECTIVE DATE.—The amendments made by  
15 subsection (a) shall apply to weeks beginning after the  
16 date of the enactment of this Act.

17 **TITLE III—ADMINISTRATIVE**  
18 **FUNDING PROVISIONS**

19 **SEC. 301. AMENDMENTS TO TITLE III OF THE SOCIAL SECU-**  
20 **RITY ACT.**

21 (a) CERTIFICATION OF AMOUNTS TO BE MADE  
22 AVAILABLE TO STATES FOR ADMINISTRATION OF UNEM-  
23 PLOYMENT COMPENSATION LAWS.—



1           (1) IN GENERAL.—Subsection (a) of section  
2           302 of the Social Security Act (42 U.S.C. 502(a))  
3           is amended to read as follows:

4           “(a)(1) The Secretary of Labor shall from time to  
5           time certify to the Secretary of the Treasury for payment  
6           to each State which has an unemployment compensation  
7           law approved by the Secretary of Labor under the Federal  
8           Unemployment Tax Act such amounts as the Secretary  
9           of Labor determines to be necessary for the proper and  
10          efficient administration, during the fiscal year for which  
11          such payment is to be made, of—

12           “(A) the State’s unemployment compensation  
13          law, subject to paragraph (5)(C) and subsections (d)  
14          and (e);

15           “(B) agreements under any Federal unemploy-  
16          ment compensation law; and

17           “(C) any provision of this title under which  
18          such State is required to make any periodic reports.

19          “(2) The Secretary of Labor’s determination of the  
20          amounts described in paragraph (1) shall be based on such  
21          factors as the Secretary of Labor finds relevant, except  
22          as otherwise specified in this title.

23          “(3) For fiscal years beginning on or after October  
24          1, 2006, such amounts shall be available to States for ex-

1 penditure during the fiscal year for which the funds are  
2 obligated and the two succeeding fiscal years.

3 “(4) Any amounts received by a State pursuant to  
4 this section and expended for a purpose described in sub-  
5 paragraph (B) or (C) of paragraph (1) shall for purposes  
6 of this title be treated as amounts expended for the proper  
7 and efficient administration of the State’s unemployment  
8 compensation law.

9 “(5) The Secretary of Labor—

10 “(A) may not certify for payment under this  
11 section in any fiscal year a total amount in excess  
12 of the amount appropriated therefor for such fiscal  
13 year;

14 “(B) may not certify for payment under this  
15 section in any fiscal year any amount for the admin-  
16 istration of an unemployment benefit program ad-  
17 ministered under the Robert T. Stafford Disaster  
18 Relief and Emergency Assistance Act; and

19 “(C) may not, for purposes of carrying out any  
20 of the activities described in paragraph (1)(A), cer-  
21 tify any amount under this section for payment in  
22 any fiscal year beginning on or after October 1,  
23 2012.”.

1           (2) EFFECTIVE DATE.—The amendment made  
2           by paragraph (1) shall be effective as of October 1,  
3           2002.

4           (b) TRANSITION PROVISIONS RELATING TO FISCAL  
5 YEARS 2005 THROUGH 2012.—

6           (1) IN GENERAL.—Section 302 of the Social  
7           Security Act (42 U.S.C. 502) is amended by adding  
8           at the end the following:

9           “(d)(1) Notwithstanding any other provision of this  
10 title, the amount certified by the Secretary of Labor under  
11 subsection (a)(1)(A) with respect to a State shall—

12                   “(A) in the case of fiscal year 2005, be  
13                   equal to  $\frac{2}{3}$  of the amount necessary for such  
14                   State to carry out the activities described in  
15                   subsection (a)(1)(A) in such fiscal year; and

16                   “(B) in the case of fiscal year 2006, be  
17                   equal to  $\frac{1}{3}$  of the amount necessary for such  
18                   State to carry out the activities described in  
19                   subsection (a)(1)(A) in such fiscal year.

20           “(2) For purposes of this subsection, the amount nec-  
21           essary for a State to carry out the activities described in  
22           subsection (a)(1)(A) in a fiscal year shall be determined  
23           by the Secretary based on the amount allotted to the  
24           States to carry out such activities in fiscal year 2002, ad-  
25           justed by—

1           “(A) the projected changes between fiscal year  
2           2002 and fiscal year 2005 or 2006 (as applicable),  
3           using the most recent economic assumptions re-  
4           leased by the President relating to—

5                   “(i) factors relating to the number of  
6                   claims for compensation, and to the number of  
7                   employers, in the United States; and

8                   “(ii) the gross domestic product price  
9                   index for the United States; and

10           “(B) such other factors as the Secretary deter-  
11           mines are appropriate.

12           “(e)(1)(A) A State shall qualify for amounts under  
13           subsection (a)(1)(A) with respect to fiscal year 2007,  
14           2008, 2009, 2010, 2011, or 2012 only if the amount de-  
15           termined for such State under subparagraph (B) exceeds  
16           the amount determined for such State under subpara-  
17           graph (C) for such fiscal year.

18           “(B) For purposes of subparagraph (A), the amount  
19           determined under this subparagraph is the sum of—

20                   “(i) the amount allotted to the State for fiscal  
21                   year 2004 for the administration of the State’s un-  
22                   employment compensation law under subsection  
23                   (a)(1)(A) (adjusted for the fiscal year involved in ac-  
24                   cordance with subparagraph (D)); and

1           “(ii) the amount allotted to the State for pro-  
2           gram year 2004 for the administration of the State’s  
3           system of public employment offices under section  
4           5(b)(1) of the Wagner-Peyser Act (adjusted for the  
5           fiscal year involved in accordance with section  
6           5(e)(1)(D) of such Act).

7           “(C) For purposes of subparagraph (A), the amount  
8           determined under this subparagraph for a State is the  
9           amount projected by the Secretary to equal 0.4 percent  
10          of the estimated wages, attributable to such State for the  
11          fiscal year involved, which would be subject to tax under  
12          section 3301 of the Internal Revenue Code of 1986 (as  
13          in effect on January 1, 2002).

14          “(D) For purposes of carrying out subparagraph  
15          (B)(i), the amount allotted to the State for fiscal year  
16          2004 for the administration of the State’s unemployment  
17          compensation law under subsection (a)(1)(A) shall be ad-  
18          justed (for whichever of fiscal years 2007 through 2012  
19          is the fiscal year involved) by—

20                 “(i) the projected changes between fiscal year  
21                 2004 and the fiscal year involved, using the most re-  
22                 cent economic assumptions released by the Presi-  
23                 dent, regarding factors relating to the number of  
24                 claims for compensation, and to the number of em-  
25                 ployers, in such State,

1           “(ii) the changes in the gross domestic product  
2 price index for the United States between fiscal year  
3 2004 and 2007, except that for purposes of making  
4 such determination for fiscal year 2007, the Sec-  
5 retary of Labor shall make a projection of such  
6 change using the most recent economic assumptions  
7 released by the President, and

8           “(iii) such other factors as the Secretary of  
9 Labor determines are appropriate.

10          “(2)(A) If a State qualifies under paragraph (1)(A)  
11 with respect to a fiscal year, then the State shall, in addi-  
12 tion to the amounts certified to carry out subparagraphs  
13 (B) and (C) of subsection (a)(1), be certified for an  
14 amount for such fiscal year to carry out subsection  
15 (a)(1)(A) that is equal to the product of the fraction deter-  
16 mined under subparagraph (B) multiplied by the amount  
17 determined under subparagraph (C).

18          “(B) For purposes of subparagraph (A), the fraction  
19 determined under this subparagraph is, for any State, the  
20 fraction—

21           “(i) the numerator of which is the amount de-  
22 termined for such State under clause (i) of para-  
23 graph (1)(B) for the fiscal year involved, and

1           “(ii) the denominator of which is the total  
2           amount determined for such State under paragraph  
3           (1)(B) for the fiscal year involved.

4           “(C) For purposes of subparagraph (A), the amount  
5           determined under this subparagraph is, for any State, the  
6           amount equal to—

7           “(i) the amount determined for such State  
8           under paragraph(1)(B) for the fiscal year involved,  
9           minus

10           “(ii) the amount determined for such State  
11           under paragraph (1)(C) for the fiscal year in-  
12           volved.”.

13           (2) EFFECTIVE DATE.—The amendment made  
14           by paragraph (1) shall be effective as of October 1,  
15           2002.

16           (c) CONFORMING AMENDMENTS FOR FISCAL YEAR  
17           2007.—

18           (1) ELIMINATION OF TRANSITION FUNDING.—  
19           Effective October 1, 2006, subsections (c) and (d) of  
20           section 302 of the Social Security Act (42 U.S.C.  
21           502(c), (d)) are repealed.

22           (2) ELIMINATION OF DUPLICATIVE PROVI-  
23           SIONS.—Effective October 1, 2006, section 303 of  
24           such Act (42 U.S.C. 503) is amended—

25           (A) in subsection (a)—

1 (i) by striking paragraphs (2), (4),  
2 and (5);

3 (ii) by redesignating paragraph (3) as  
4 paragraph (2);

5 (iii) by redesignating paragraphs (6)  
6 through (10) as paragraphs (3) through  
7 (7), respectively; and

8 (iv) by redesignating paragraph (11)  
9 (as added by section 103(b)) as paragraph  
10 (8); and

11 (B) in subsection (c)—

12 (i) by inserting “or” at the end of  
13 paragraph (1);

14 (ii) by striking “; or” at the end of  
15 paragraph (2) and inserting a period; and

16 (iii) by striking paragraph (3).

17 **SEC. 302. AMENDMENTS TO TITLE IX OF THE SOCIAL SECU-**  
18 **RITY ACT.**

19 (a) **TRANSITION AMENDMENT.—**

20 (1) **ESTIMATES OF TAX RECEIPTS.—**Subpara-  
21 graph (C) of section 901(c)(3) of the Social Security  
22 Act (42 U.S.C. 1101(c)(3)(C) is repealed.

23 (2) **EFFECTIVE DATE.—**The amendment made  
24 by this subsection shall be effective as of October 1,  
25 2002.



1 (b) AMENDMENTS FOR FISCAL YEAR 2007.—

2 (1) ADMINISTRATIVE EXPENDITURES.—Section  
3 901(c) of the Social Security Act (42 U.S.C.  
4 1101(c)) is amended—

5 (A) in paragraph (1), by striking “June  
6 30, 1971” and inserting “September 30,  
7 2007”;

8 (B) in paragraphs (1)(A) and (1)(B), by  
9 striking the parenthetical matter immediately  
10 following “such amounts”; and

11 (C) by striking paragraphs (3), (4), and  
12 (5).

13 (2) DETERMINATION OF EXCESS.—Section  
14 901(f)(3)(A) of the Social Security Act (42 U.S.C.  
15 1101(f)(3)(A)) is amended by striking the last sen-  
16 tence.

17 (3) TRANSFERS WHERE STATE IS INELI-  
18 GIBLE.—Section 903(b)(1) of the Social Security  
19 Act (42 U.S.C. 1103(b)(1)) is amended—

20 (A) in the first sentence, by striking the  
21 em-dash after “year” and all that follows  
22 through “(B)” (and by running in the remain-  
23 ing text);

24 (B) in the second sentence—

1 (i) by striking “that such State is eli-  
2 gible for certification under section 303,”;

3 and

4 (ii) by striking “or both,”.

5 (4) EFFECTIVE DATE.—The amendments made  
6 by this subsection shall take effect on October 1,  
7 2006.

8 (c) TRANSFERS TO EUCA.—

9 (1) IN GENERAL.—Section 905(b)(1) of the So-  
10 cial Security Act (42 U.S.C. 1105(b)(1)) is amended  
11 by striking “20 percent” and inserting “50 per-  
12 cent”.

13 (2) EFFECTIVE DATE.—The amendment made  
14 by paragraph (1) shall take effect on January 1,  
15 2007.

16 **SEC. 303. AMENDMENTS TO TITLE XII OF THE SOCIAL SECU-  
17 RITY ACT.**

18 (a) ADVANCES TO STATE UNEMPLOYMENT  
19 FUNDS.—Section 1201(a) of the Social Security Act (42  
20 U.S.C. 1321(a)) is amended—

21 (1) in paragraph (1) (in the matter before sub-  
22 paragraph (A)), by inserting “or administrative ex-  
23 penses” after “compensation”;

1           (2) in paragraphs (1)(B) and (2)(A), by insert-  
2           ing “or administrative expenses, whichever is appli-  
3           cable,” after “compensation”;

4           (3) in paragraph (3)—

5                 (A) in subparagraph (B)—

6                     (i) by inserting “or administrative ex-  
7                     penses, whichever is applicable,” after  
8                     “compensation” in each place it appears;  
9                     and

10                    (ii) by striking “and” at the end; and

11                 (B) by redesignating subparagraph (C) as  
12                 subparagraph (E) and by inserting after sub-  
13                 paragraph (B) the following:

14                 “(C) an application for an advance—

15                     “(i) for the payment of compensation shall  
16                     not be reduced or denied due to any amounts  
17                     in the State’s unemployment fund which are  
18                     limited by State law to the payment of adminis-  
19                     trative expenses (including amounts obligated  
20                     under an appropriation made pursuant to sec-  
21                     tion 903(c)(2)), or

22                     “(ii) for the payment of administrative ex-  
23                     penses shall not be reduced or denied due to  
24                     any amounts in the State’s unemployment fund

1           which are limited by State law to the payment  
2           of compensation,

3           “(D) the term ‘administrative expenses’ means  
4           expenses incurred in the proper and efficient admin-  
5           istration of the State’s unemployment compensation  
6           law or in the administration of an employment serv-  
7           ice program pursuant to the Wagner-Peyser Act (29  
8           U.S.C. 49 and following), and”.

9           (b) EFFECTIVE DATE.—The amendments made by  
10          this section shall be effective as of October 1, 2002.

11       **SEC. 304. AMENDMENTS TO WAGNER-PEYSER ACT.**

12           (a) ACCEPTANCE BY THE STATES.—Section 4 of the  
13          Wagner-Peyser Act (29 U.S.C. 49c) is amended by insert-  
14          ing “and for purposes of the credit as described in section  
15          3304(a)(1)(C) of the Internal Revenue Code of 1986”  
16          after “section 5”.

17           (b) PAYMENTS TO THE STATES.—Section 5(b) of the  
18          Wagner-Peyser Act (29 U.S.C. 49d(b)) is amended to read  
19          as follows:

20           “(b) The Secretary of Labor shall from time to time  
21          certify to the Secretary of the Treasury for payment to  
22          each State which, except for Guam, has an unemployment  
23          compensation law approved by the Secretary of Labor  
24          under the Federal Unemployment Tax Act such amounts  
25          as the Secretary of Labor determines to be necessary, dur-

1 ing the fiscal year for which such payment is to be made,  
2 to carry out—

3 “(1) for fiscal years 2003 through 2012, the  
4 administration of the State’s public employment  
5 service program, except that—

6 “(A) for fiscal years 2005 and 2006 such  
7 amounts shall be certified only to the extent au-  
8 thorized under subsection (d); and

9 “(B) for fiscal years 2007 through 2012,  
10 such amounts shall be certified only to the ex-  
11 tent authorized under subsection (e);

12 “(2) the administration of the Work Oppor-  
13 tunity Credit authorized under section 51 of the In-  
14 ternal Revenue Code of 1986 (26 U.S.C. 51) and  
15 the Welfare-to-Work Credit authorized under section  
16 51A of such Code (26 U.S.C. 51A);

17 “(3) the administration of such alien labor cer-  
18 tification and attestation activities (including surveys  
19 of prevailing wages) as may be delegated to the  
20 State by the Secretary under the Immigration and  
21 Nationality Act and related laws; and

22 “(4) the provision of any periodic reports re-  
23 quired under this Act.

24 The Secretary of Labor’s determination of the amounts  
25 necessary to carry out the activities described in this sub-

1 section shall be based on such factors as the Secretary  
2 of Labor finds relevant, except as otherwise specified in  
3 this section. The Secretary of Labor shall not certify for  
4 payment under this section in any fiscal year a total  
5 amount in excess of the amount appropriated therefore for  
6 such fiscal year.”.

7 (c) PAYMENTS TO GUAM.—Section 5(c) of the Wag-  
8 ner-Peyser Act (29 U.S.C. 49d(c)) is amended to read as  
9 follows:

10 “(c) The Secretary of Labor shall from time to time  
11 certify to the Secretary of the Treasury for payment to  
12 Guam such amounts as the Secretary of Labor determines  
13 to be necessary during the fiscal year for which such pay-  
14 ment is to be made for the administration of the State’s  
15 public employment service program.”.

16 (d) SPECIAL PROVISIONS FOR TRANSITION YEARS  
17 AND PERIOD OF AVAILABILITY OF FUNDS.—Section 5 of  
18 the Wagner-Peyser Act (29 U.S.C. 49d) is further amend-  
19 ed by adding after subsection (c) the following:

20 “(d)(1) The total amount certified for each State  
21 under subsection (b)(1) for fiscal years 2005 and 2006  
22 shall be determined as follows:

23 “(A) for the fiscal year beginning October 1,  
24 2004, the amount shall equal the amount necessary  
25 to provide the State with two-thirds of the amount

1 necessary to carry out the activities described in  
2 subsection (b)(1); and

3 “(B) for the fiscal year beginning October 1,  
4 2005, the amount shall equal the amount necessary  
5 to provide the State with one-third of the amount  
6 necessary to carry out the activities described in  
7 subsection (b)(1).

8 “(2) For purposes of this subsection, the amount nec-  
9 essary to carry out the activities described in subsection  
10 (b)(1) for a fiscal year shall be determined by the Sec-  
11 retary based on the amount allotted to the States to carry  
12 out such activities for fiscal year 2002, adjusted by the  
13 projected changes between fiscal year 2002 and such fiscal  
14 year, using the most recent economic assumptions released  
15 by the President, relating to—

16 “(A) factors relating to the number of individ-  
17 uals in the civilian labor force in the United States;  
18 and

19 “(B) the gross domestic product price index for  
20 the United States.

21 “(e)(1)(A) A State shall qualify for amounts under  
22 subsection (b)(1) with respect to each of fiscal years 2007  
23 through 2012 only if the amount determined under sub-  
24 paragraph (B) of this paragraph exceeds the amount de-

1 terminated under subparagraph (C) of this paragraph for  
2 such fiscal year.

3 “(B) For purposes of subparagraph (A), the amount  
4 determined under this subparagraph shall be the sum of—

5 “(i) the amount allotted to the State for fiscal  
6 year 2004 for the administration of the State’s un-  
7 employment compensation law under section  
8 302(a)(1)(A) of the Social Security Act (adjusted for  
9 each fiscal year in accordance with section  
10 302(e)(1)(D) of such Act); and

11 “(ii) the amount allotted to the State for pro-  
12 gram year 2004 for the administration of the State’s  
13 system of public employment offices under sub-  
14 section (b)(1) (adjusted for each fiscal year in ac-  
15 cordance with subparagraph (D)).

16 “(C) For purposes of subparagraph (A), the amount  
17 determined under this subparagraph shall be the amount  
18 projected by the Secretary to equal 0.4 percent of the esti-  
19 mated wages for such fiscal year which are subject to tax  
20 under section 3301 of the Internal Revenue Code of 1986  
21 (as such section was in effect on January 1, 2002) in the  
22 State.

23 “(D) For purposes of determining the amount under  
24 subparagraph (B)(ii) for each of fiscal years 2007-2012,  
25 the amount allotted to the State under this title for fiscal



1 year 2004 shall be adjusted by the change between fiscal  
2 year 2004 and fiscal year 2007 relating to the gross do-  
3 mestic product price index for the United States, except  
4 that for making such determination for fiscal year 2007  
5 the Secretary shall make a projection of such change using  
6 the most recent economic assumptions released by the  
7 President.

8 “(2)(A) If a State qualifies under paragraph (1)(A)  
9 with respect to a fiscal year, then the State shall, in addi-  
10 tion to the amounts certified to carry out paragraphs (2)  
11 through (4) of subsection (b), be certified for an amount  
12 for such fiscal year to carry out subsection (b)(1) that is  
13 equal to the product of the amount determined under sub-  
14 paragraph (B) of this paragraph multiplied by the amount  
15 determined under subparagraph (C) of this paragraph.

16 “(B) For purposes of subparagraph (A), the amount  
17 determined under this subparagraph shall be the quotient  
18 of—

19 “(i) the amount determined for the State under  
20 clause (ii) of paragraph (1)(B), divided by

21 “(ii) the total amount determined for the State  
22 under paragraph (1)(B).

23 “(C) For purposes of subparagraph (A), the amount  
24 determined under this subparagraph shall be the amount  
25 that is the difference between—

1           “(i) the amount determined under para-  
2 graph(1)(B); and

3           “(ii) the amount determined under paragraph  
4 (1)(C).

5           “(f)(1) For fiscal years 1985 through 2006, appro-  
6 priations for any fiscal year for programs and activities  
7 assisted or conducted under this Act shall be available for  
8 obligation only on the basis of a program year. The pro-  
9 gram year shall begin on July 1, in the fiscal year for  
10 which the appropriation is made. Such funds shall be  
11 available for expenditure by the States during the program  
12 year in which the funds are obligated and the two suc-  
13 ceeding program years. The program year with respect to  
14 fiscal year 2006, shall begin on July 1, 2006 and end Sep-  
15 tember 30, 2006.

16           “(2) For fiscal years beginning on and after October  
17 1, 2006, appropriation for any fiscal year shall be avail-  
18 able for obligation only on the basis of a fiscal year.

19           “(3) For fiscal years beginning on or after October  
20 1, 2006, funds obligated for any fiscal year may be ex-  
21 pended by the State during that fiscal year and the two  
22 succeeding fiscal years and no amount shall be deobligated  
23 on account of a rate of expenditure which is consistent  
24 with the program plan.”.

1 (e) REPEAL OF ALLOTMENT FORMULAS.—Section 6  
2 of the Wagner-Peyser Act (29 U.S.C 49e) is repealed, ef-  
3 fective October 1, 2004.

4 (f) EMPLOYMENT-RELATED ACTIVITIES.—Section 7  
5 of the Wagner-Peyser Act (29 U.S.C. 49f) is amended to  
6 read as follows:

7 “SEC. 7. (a) The public employment service program  
8 carried out by a State under this Act shall include the  
9 provision of activities, through the one-stop delivery sys-  
10 tem, that—

11 “(1) facilitate the labor exchange between em-  
12 ployers and job seekers; including activities that—

13 “(A) assist job seekers in finding employ-  
14 ment; and

15 “(B) assist employers in filling jobs;

16 “(2) provide reemployment services to unem-  
17 ployment compensation claimants and carry out the  
18 work test requirement of the State unemployment  
19 compensation system; and

20 “(3) facilitate the interstate clearance of labor,  
21 as defined by the Secretary.

22 “(b) In addition to, or in carrying out, the activities  
23 described in subsection (a), the public employment service  
24 program carried out by a State under this Act may include  
25 the following activities—

1           “(1) counseling, assessment, testing, job search  
2 assistance, occupational and labor market informa-  
3 tion, and referral to jobs, and providing referrals or  
4 access to the full range of services available to job  
5 seekers through the State’s one-stop delivery system  
6 and other such activities that assist job seekers in  
7 obtaining and retaining employment;

8           “(2) assistance to employers in writing job or-  
9 ders, recruitment, identification and screening of po-  
10 tential job applicants, labor market information, in-  
11 formation on other services related to employment  
12 such as hiring tax credits, and providing referrals or  
13 access to the full range of services available to em-  
14 ployers within the State’s one-stop service delivery  
15 system;

16           “(3) employment services for individuals in spe-  
17 cial populations such as unemployed or dislocated  
18 workers, veterans, migrant and seasonal farm work-  
19 ers, and individuals with disabilities;

20           “(4) developing and providing labor market and  
21 occupational information;

22           “(5) developing automated systems to facilitate  
23 service delivery to job seekers and employers and to  
24 enable data collection, case tracking, case manage-

1       ment, reporting, and performance accountability for  
2       activities carried out under this Act;

3               “(6) providing service delivery staff with train-  
4       ing, technical assistance, and tools designed to en-  
5       hance their skills to provide the services described in  
6       this section through the State’s one-stop service de-  
7       livery system.;

8               “(7) developing linkages between services fund-  
9       ed under this Act and related Federal or State legis-  
10      lation, to support integrated service delivery in the  
11      one-stop service delivery system and improved serv-  
12      ice delivery to job seekers and employers;

13              “(8) performance accountability and continuous  
14      improvement activities designed to improve service  
15      delivery and outcomes for employers and job seekers,  
16      including providing performance incentives for meet-  
17      ing performance standards as established by the  
18      Secretary; and

19              “(9) activities designed to improve accessibility  
20      of the services to individuals who may lack accessi-  
21      bility as a result of factors such as a disability, lim-  
22      ited English proficiency, lack of literacy skills, trans-  
23      portation, or lack of computer literacy.”.

24      (g) EFFECTIVE DATE.—



1 (A) by striking “, exclusive of expenses of  
2 administration,” in the material preceding sub-  
3 paragraph (A), and

4 (B) by striking subparagraph (B) and in-  
5 serting the following new subparagraph:

6 “(B) amounts appropriated by the legisla-  
7 tive body of the State for expenses incurred by  
8 the State for administration of its unemploy-  
9 ment compensation law and public employment  
10 service program may be withdrawn to pay such  
11 expenses;”.

12 (b) DEFINITION OF UNEMPLOYMENT FUND.—Sec-  
13 tion 3306(f) of such Code is amended—

14 (1) by striking “(exclusive of expenses of ad-  
15 ministration)” in the material preceding paragraph  
16 (1), and

17 (2) by striking paragraph (2) and inserting the  
18 following new paragraph:

19 “(2) amounts appropriated by the legislative  
20 body of the State for expenses incurred by the State  
21 for administration of its unemployment compensa-  
22 tion law and public employment service program  
23 may be withdrawn to pay such expenses;”.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

4 **SEC. 306. AMENDMENT TO TITLE 39 OF THE UNITED**  
5 **STATES CODE.**

6           (a) USE OF PENALTY MAIL.—Section 3202(a)(1) of  
7 title 39, United States Code, is amended—

8                 (1) by inserting “and” at the end of subpara-  
9 graph (D);

10                (2) by striking subparagraph (E); and

11                (3) by redesignating subparagraph (F) as sub-  
12 paragraph (E).

13           (b) CONFORMING AMENDMENTS.—(1) Section  
14 3203(b) of such title is amended by striking “(1)(E), (2),  
15 and (3)” and inserting “(2) and (3)”.

16                (2) Section 3206(b) of such title is amended by strik-  
17 ing “(1)(F) and (4)” and inserting “(1)(E) and (4)”.

18           (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect on October 1, 2006.



1                   **TITLE IV—REED ACT**  
2                   **PROVISIONS**

3   **SEC. 401. SPECIAL REED ACT TRANSFERS IN FISCAL YEARS**  
4                   **2004 AND 2005.**

5           (a) IN GENERAL.—Section 903 of the Social Security  
6 Act (42 U.S.C. 1103) is amended by adding at the end  
7 the following:

8           “Special Transfers for Fiscal Years 2004 and 2005

9           “(e)(1) The Secretary of the Treasury shall, as of the  
10 beginning of October 1 of each of fiscal years 2004 and  
11 2005, transfer \$3,500,000,000 from the Federal unem-  
12 ployment account to the accounts of the States in the Un-  
13 employment Trust Fund.

14          “(2)(A) Each State’s share of the amounts to be  
15 transferred under this subsection as of any October 1 shall  
16 be determined by the Secretary of Labor in accordance  
17 with subsection (a)(2), except that no State shall receive  
18 an amount less than \$25,000,000 for a fiscal year.

19          “(B) Any amounts necessary to increase allotments  
20 to States in order to comply with the minimum dollar  
21 amount required by subparagraph (A) shall be obtained  
22 by ratably reducing the allotments to be made to other  
23 States under this subsection.

24          “(3) Subsection (b) shall apply to transfers under  
25 this subsection.

1       “(4)(A) If, in fiscal year 2004 or 2005, all the condi-  
2 tions set forth in paragraph (1) of subsection (a) (for a  
3 transfer of amounts to State accounts under such sub-  
4 section) have been met—

5           “(i) the transfer under this subsection shall be  
6 made before the making of any transfers under sub-  
7 section (a) or (b); and

8           “(ii) any transfer under subsection (a) or (b)  
9 shall then be made, but only if or to the extent re-  
10 quired under subparagraph (B).

11       “(B) If a transfer under this subsection is made in  
12 the circumstance described in subparagraph (A), the ex-  
13 cess amount in the employment security administration  
14 account (as described in subsection (a)) shall be treated  
15 as follows:

16           “(i) First, use those amounts to restore the  
17 Federal unemployment account, up to the limit pro-  
18 vided in section 902(a).

19           “(ii) Second, to the extent that any excess  
20 amounts remain after the application of clause (i),  
21 transfer those remaining amounts in accordance  
22 with subsection (a) or (b), whichever applies.”.

23       (b) USE OF TRANSFERRED AMOUNTS.—Section  
24 903(c)(1) of the Social Security Act (42 U.S.C.

1 1103(c)(1)) is amended by striking “(a) and (b)” and in-  
2 serting “(a), (b), (d) and (e)”.

3 **SEC. 402. REPEAL OF SPECIAL RULES FOR STATE REED**  
4 **ACT APPROPRIATION LAWS.**

5 Section 903(c)(2) of the Social Security Act (42  
6 U.S.C. 1103(c)(2)) is amended by striking “offices if and  
7 only if—” and all that follows and inserting “offices.”.

8 **SEC. 403. REPEAL OF SPECIAL CONDITIONS ON RECENT**  
9 **REED ACT DISTRIBUTIONS.**

10 (a) REED ACT DISTRIBUTIONS MADE WITH RE-  
11 SPECT TO 1999, 2000, AND 2001.—

12 (1) IN GENERAL.—The requirements of sub-  
13 section (c) of section 903 of the Social Security Act  
14 (as amended by this Act) shall apply to all amounts  
15 transferred under such section 903 with respect to  
16 fiscal years 1999, 2000, and 2001, except that such  
17 amounts shall be available for expenditure for the  
18 administration of the State’s unemployment com-  
19 pensation law without an appropriation by the  
20 State’s legislature until one year after the date of  
21 enactment.

22 (2) AMENDMENTS TO TEMPORARY EXTENDED  
23 UNEMPLOYMENT COMPENSATION ACT OF 2002.—Sec-  
24 tion 209(a) of the Temporary Extended Unemploy-

1 ment Compensation Act of 2002 (26 U.S.C. 3304  
2 note) is amended—

3 (A) by striking paragraph (2); and

4 (B) by striking “1997.—” through “The  
5 following” and inserting “1997.—The fol-  
6 lowing”, by moving subparagraphs (A) and (B)  
7 2 ems to the left, and by redesignating those  
8 subparagraphs as paragraphs (1) and (2), re-  
9 spectively.

10 (b) REED ACT DISTRIBUTION MADE ON MARCH 13,  
11 2002.—

12 (1) IN GENERAL.—Section 903(d)(3) of the So-  
13 cial Security Act (42 U.S.C. 1103(d)(3)) is amended  
14 to read as follows:

15 “(3) Amounts transferred to a State account pursu-  
16 ant to this subsection may be used in accordance with sub-  
17 section (c).”.

18 (2) CONFORMING AMENDMENT.—Paragraph (4)  
19 of section 903(d) of such Act is repealed.

20 **SEC. 404. RESTORATION AUTHORITY REPEALED.**

21 Section 903(c)(3) of the Social Security Act (42  
22 U.S.C. 1103(c)(3)) is repealed.

1           **TITLE V—MISCELLANEOUS**  
2                           **PROVISIONS**

3   **SEC. 501. TRANSFER OF FEDERAL EQUITY IN STATE EM-**  
4                           **PLOYMENT SECURITY AGENCY REAL PROP-**  
5                           **ERTY TO THE STATES.**

6           (a) TRANSFER OF FEDERAL EQUITY.—Notwith-  
7 standing any other provision of law, any Federal equity  
8 acquired in real property through grants to States award-  
9 ed under title III of the Social Security Act or under the  
10 Wagner-Peyser Act is hereby transferred to the States  
11 which used the grants for the acquisition of such equity.  
12 The portion of any real property that is attributable to  
13 the Federal equity transferred under this section shall be  
14 used to carry out activities authorized under title III of  
15 the Social Security Act, the Wagner-Peyser Act, or section  
16 193 of the Workforce Investment Act of 1998. Any dis-  
17 position of such real property shall be carried out in ac-  
18 cordance with the procedures described in section 97.31(c)  
19 of title 29 of the Code of Federal Regulations (as in effect  
20 on the day before the date of the enactment of the Em-  
21 ployment Security Reform Act of 2002) and the portion  
22 of the proceeds from the disposition of such real property  
23 that is attributable to the Federal equity transferred  
24 under this section shall be used to carry out activities au-

1 thORIZED under title III of the Social Security Act or the  
2 Wagner-Peyser Act.

3 (b) LIMITATION ON USE.—States shall not use funds  
4 awarded under title III of the Social Security Act or under  
5 the Wagner-Peyser Act to amortize the costs of real prop-  
6 erty that is purchased by any State on or after the effec-  
7 tive date of this provision.

8 **SEC. 502. STATE USE OF COMPENSATING BALANCES AND**  
9 **INTEREST EARNED ON CLEARING ACCOUNT**  
10 **TO PAY ASSOCIATED BANKING COSTS.**

11 (a) IMMEDIATE DEPOSIT REQUIREMENT.—Section  
12 3304(a)(3) of the Internal Revenue Code of 1986 (26  
13 U.S.C. 3304(a)(3)) is amended to read as follows:

14 “(3) all money received in the unemployment  
15 fund shall immediately upon such receipt be paid  
16 over to the Secretary of the Treasury to the credit  
17 of the Unemployment Trust Fund established by  
18 section 904 of the Social Security Act (42 U.S.C.  
19 1104), except for—

20 “(A) refunds of sums erroneously paid into  
21 such fund;

22 “(B) refunds paid in accordance with the  
23 provisions of section 3305(b); and

24 “(C) such portion of the money as may be  
25 necessary to generate earnings credit or actual

1 interest earnings sufficient to pay reasonable  
2 charges for banking services related to such  
3 money and for services provided by a bank in  
4 connection with the receipt and processing of  
5 direct remittances from employers.”.

6 (b) WITHDRAWAL STANDARD.—Section 3304(a)(4)  
7 of such Code (26 U.S.C. 3304(a)(4)) is amended by strik-  
8 ing “and” at the end of subparagraph (E), by adding  
9 “and” at the end of subparagraph (F), and by inserting  
10 after subparagraph (F) the following new subparagraph:

11 “(G) earnings credit or actual interest  
12 earnings on money not immediately paid over to  
13 the Secretary of the Treasury pursuant to para-  
14 graph (3) may be used to pay reasonable  
15 charges for banking services related to money  
16 received in the unemployment fund and for  
17 services provided by a bank in connection with  
18 the receipt and processing of direct remittances  
19 from employers;”.

20 (c) UNEMPLOYMENT FUND.—Section 3306(f) of  
21 such Code (26 U.S.C. 3306(f)) is amended—

22 (1) by striking “and” at the end of the para-  
23 graph (5) not added by Public Law 103–182,

24 (2) by redesignating the paragraph (5) added  
25 by Public Law 103–182 as paragraph (6),

1           (3) by striking the period at the end of such  
2 paragraph (6) and inserting “; and”, and

3           (4) by adding at the end the following new  
4 paragraph:

5           “(7) earnings credit or actual interest earnings  
6 may be used to pay reasonable charges for banking  
7 services relating to moneys received in the unemploy-  
8 ment fund and for services provided by a bank in  
9 connection with the receipt and processing of direct  
10 remittances from employers.”.

11         (d)         CONFORMING         AMENDMENT.—Section  
12 1201(a)(3)(C) of the Social Security Act (42 U.S.C.  
13 1321(a)(3)(C)), as inserted by section 303(a)(3)(B), is  
14 further amended—

15           (1) in clause (i), by striking “or” after the  
16 comma;

17           (2) in clause (ii), by inserting “or” after the  
18 comma; and

19           (3) by adding after clause (ii) the following:

20           “(iii) for the payment of compensation or  
21 administrative earnings expenses shall not be  
22 reduced or denied due to the use of any  
23 amounts to generate earnings credit or actual  
24 interest that are used to pay reasonable charges  
25 for banking services and for services provided



1 by a bank in connection with the receipt and  
2 processing of direct remittances from employers  
3 pursuant to the exceptions provided in para-  
4 graphs (3) and (4) of section 3304(a) of the  
5 Federal Unemployment Tax Act.”.

6 **SEC. 503. TREATMENT OF SHORT-TIME COMPENSATION**  
7 **PROGRAMS.**

8 (a) WITHDRAWAL OF AMOUNTS FROM STATE UNEM-  
9 PLOYMENT FUND.—

10 (1) IN GENERAL.—Section 3304(a)(4)(E) of the  
11 Internal Revenue Code of 1986 (26 U.S.C.  
12 3304(a)(4)(E)) is amended to read as follows:

13 “(E) amounts may be withdrawn for the  
14 payment of short-time compensation under a  
15 short-time compensation program (as defined  
16 under section 3306(v));”.

17 (2) UNEMPLOYMENT FUND DEFINED.—Section  
18 3306(f)(5) of such Code (26 U.S.C. 3306(f)(5)) is  
19 amended to read as follows:

20 “(5) amounts may be withdrawn for the pay-  
21 ment of short-time compensation under a short-time  
22 compensation program (as defined under subsection  
23 (v)); and”.

24 (3) SHORT-TIME COMPENSATION PROGRAM.—  
25 Section 3306 of such Code (26 U.S.C. 3306) is

1 amended by adding at the end the following new  
2 subsection:

3 “(v) SHORT-TIME COMPENSATION PROGRAM.—For  
4 purposes of this chapter, the term ‘short-time compensa-  
5 tion program’ means a program under which—

6 “(1) the participation of an employer is vol-  
7 untary;

8 “(2) an employer reduces the number of hours  
9 worked by employees in lieu of temporary layoffs;

10 “(3) such employees whose workweeks have  
11 been reduced by at least 10 percent are eligible for  
12 unemployment compensation;

13 “(4) the amount of unemployment compensa-  
14 tion payable to any such employee is a pro rata por-  
15 tion of the unemployment compensation which would  
16 be payable to the employee if such employee were to-  
17 tally unemployed;

18 “(5) such employees are not required to meet  
19 the availability for work or work search test require-  
20 ments while collecting short-time compensation bene-  
21 fits, but are required to be available for their normal  
22 workweek;

23 “(6) eligible employees may participate in an  
24 employer-sponsored training program to enhance job

1 skills if such program has been approved by the  
2 State agency;

3 “(7) the State agency may require an employer  
4 to continue to provide health benefits, and retire-  
5 ment benefits under a defined benefit pension plan  
6 (as defined in section 414(j)) to any employee whose  
7 workweek is reduced pursuant to the program as  
8 though the workweek of such employee had not been  
9 reduced; and

10 “(8) the State agency may require an employer  
11 (or an employers’ association which is party to a col-  
12 lective bargaining agreement) to submit a written  
13 plan describing the manner in which the require-  
14 ments of this subsection will be implemented and  
15 containing such other information as the Secretary  
16 of Labor determines is appropriate.”.

17 (b) EFFECTIVE DATE.—The amendments made by  
18 this section shall take effect on October 1, 2002.

19 **SEC. 504. METHOD OF VERIFYING CITIZENSHIP STATUS**  
20 **FOR UNEMPLOYMENT BENEFITS.**

21 Nothing in Federal law shall be construed to require  
22 State agencies administering State unemployment com-  
23 pensation laws to require applicants for unemployment  
24 benefits to present proof of citizenship or alien status in  
25 person.

1 **SEC. 505. USE OF NEW HIRE INFORMATION TO ASSIST IN**  
2 **ADMINISTRATION OF UNEMPLOYMENT COM-**  
3 **PENSATION PROGRAMS.**

4 Section 453(j) of the Social Security Act (42 U.S.C.  
5 653(j)) is amended by adding at the end the following:

6 “(7) INFORMATION COMPARISONS AND DISCLO-  
7 SURE TO ASSIST IN ADMINISTRATION OF UNEMPLOY-  
8 MENT COMPENSATION PROGRAMS.—

9 “(A) IN GENERAL.—If, for purposes of ad-  
10 ministering an unemployment compensation  
11 program under Federal or State law, a State  
12 agency responsible for the administration of  
13 such program transmits to the Secretary the  
14 names and social security account numbers of  
15 individuals, the Secretary shall disclose to such  
16 State agency information on such individuals  
17 and their employers maintained in the National  
18 Directory of New Hires, subject to this para-  
19 graph.

20 “(B) CONDITION ON DISCLOSURE BY THE  
21 SECRETARY.—The Secretary shall make a dis-  
22 closure under subparagraph (A) only to the ex-  
23 tent that the Secretary determines that the dis-  
24 closure would not interfere with the effective  
25 operation of the program under this part.

1           “(C) USE AND DISCLOSURE OF INFORMA-  
2           TION BY STATE AGENCIES.—

3           “(i) IN GENERAL.—A State agency  
4           may not use or disclose information pro-  
5           vided under this paragraph except for pur-  
6           poses of administering a program referred  
7           to in subparagraph (A).

8           “(ii) INFORMATION SECURITY.—The  
9           State agency shall have in effect data secu-  
10          rity and control policies that the Secretary  
11          finds adequate to ensure the security of in-  
12          formation obtained under this paragraph  
13          and to ensure that access to such informa-  
14          tion is restricted to authorized persons for  
15          purposes of authorized uses and disclo-  
16          sures.

17          “(iii) PENALTY FOR MISUSE OF IN-  
18          FORMATION.—An officer or employee of  
19          the State agency who fails to comply with  
20          this subparagraph shall be subject to sanc-  
21          tions under subsection (1)(2) to the same  
22          extent as if the officer or employee were an  
23          officer or employee of the United States.

24          “(D) PROCEDURAL REQUIREMENTS.—  
25          State agencies requesting information under

1           this paragraph shall adhere to uniform proce-  
2           dures established by the Secretary governing in-  
3           formation requests and data matching under  
4           this paragraph.

5           “(E) REIMBURSEMENT OF COSTS.—The  
6           State agency shall reimburse the Secretary, in  
7           accordance with subsection (k)(3), for the costs  
8           incurred by the Secretary in furnishing the in-  
9           formation requested under this paragraph.”.

10 **SEC. 506. REPEAL OF PROVISION LIMITING ELIGIBILITY OF**  
11 **CERTAIN FEDERAL EMPLOYEES.**

12           Section 8501(1) of title 5 of the United States Code  
13 is amended—

14           (1) by striking subparagraph (E); and  
15           (2) by redesignating subparagraphs (F)  
16 through (L) as subparagraphs (E) through (K), re-  
17 spectively.

18 **SEC. 507. TREATMENT OF PENSION ROLLOVERS.**

19           (a) IN GENERAL.—Section 3304(a)(15) of the Inter-  
20 nal Revenue Code of 1986 (26 U.S.C. 3304(a)(15) is  
21 amended to read as follows—

22           “(15)(A) the amount of compensation payable  
23 to an individual for any week which begins after  
24 March 31, 1980, and which begins in a period with  
25 respect to which such individual is receiving a gov-

1       ernmental or other pension, retirement or retired  
2       pay, annuity, or any other similar periodic payment  
3       which is based on the previous work of such indi-  
4       vidual shall be reduced (but not below zero) by an  
5       amount equal to the amount of such pension, retire-  
6       ment or retired pay, annuity, or other payment,  
7       which is reasonably attributable to such week except  
8       that—

9               “(i) the requirements of this paragraph  
10              shall apply to any pension, retirement or retired  
11              pay, annuity, or other similar periodic payment  
12              only if—

13                   “(I) such pension, retirement or re-  
14                   tired pay, annuity, or similar payment is  
15                   under a plan maintained (or contributed  
16                   to) by a base period employer or charge-  
17                   able employer (as determined under appli-  
18                   cable law); and

19                   “(II) in the case of such payment not  
20                   made under the Social Security Act or the  
21                   Railroad Retirement Act of 1974 (or the  
22                   corresponding provisions of prior law),  
23                   services performed for such employer by  
24                   the individual after the beginning of the  
25                   base period (or remuneration for such

1 services) affect eligibility for, or increase  
2 the amount of, such pension, retirement or  
3 retired pay, annuity, or similar payment;  
4 and

5 “(ii) the State law may provide for limita-  
6 tions on the amount of any such a reduction to  
7 take into account contributions made by the in-  
8 dividual for the pension, retirement or retired  
9 pay, annuity, or other similar periodic payment;  
10 and

11 “(B) the amount of compensation shall not be  
12 reduced on account of any payments of retirement  
13 annuities, pensions or other such payments which  
14 are rolled over into other funds and which are in-  
15 cludible in gross income;”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall be effective for weeks of unemploy-  
18 ment beginning at least 1 year after the date of the enact-  
19 ment of this Act, except that in the case of a State in  
20 which the legislature does not meet in a regularly sched-  
21 uled session during calendar year 2003, the amendments  
22 made by subsection (a) shall apply to weeks of unemploy-  
23 ment beginning at least 2 years after the date of the enact-  
24 ment of this Act.



1 **SEC. 508. REGULATIONS.**

2       The Secretary of Labor may prescribe any operating  
3 instructions or regulations necessary to carry out the pro-  
4 visions of this Act and the amendments made by this Act,  
5 to the extent that responsibility for their administration  
6 is vested in the Secretary of Labor.

○