

111TH CONGRESS  
1ST SESSION

# S. 1646

To keep Americans working by strengthening and expanding short-time compensation programs that provide employers with an alternative to layoffs.

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IN THE SENATE OF THE UNITED STATES

AUGUST 7, 2009

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

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## A BILL

To keep Americans working by strengthening and expanding short-time compensation programs that provide employers with an alternative to layoffs.

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 “Keep Americans Work-  
5 ing Act”.

6 **SEC. 2. PURPOSE.**

7 The purpose of this Act is to keep Americans working  
8 by strengthening and expanding short-time compensation  
9 programs that provide employers with an alternative to  
10 layoffs.

1 **SEC. 3. TREATMENT OF SHORT-TIME COMPENSATION PRO-**  
2 **GRAMS.**

3 (a) IN GENERAL.—Section 3306 of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subsection:

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

9 “(1) the participation of an employer is vol-  
10 untary;

11 “(2) an employer reduces the number of hours  
12 worked by employees through certifying that such  
13 reductions are in lieu of temporary layoffs;

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

17 “(4) the amount of unemployment compensa-  
18 tion payable to any such employee is a pro rata por-  
19 tion of the unemployment compensation which would  
20 be payable to the employee if such employee were to-  
21 tally unemployed;

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

1           “(6) eligible employees may participate in an  
2 employer-sponsored training program to enhance job  
3 skills if such program has been approved by the  
4 State agency;

5           “(7) beginning on the date which is 2 years  
6 after the date of enactment of this subsection, the  
7 State agency shall require an employer to certify  
8 that continuation of health benefits and retirement  
9 benefits under a defined benefit pension plan (as de-  
10 fined in section 3(35) of the Employee Retirement  
11 Income Security Act of 1974) is not affected by par-  
12 ticipation in the program;

13           “(8) the State agency shall require an employer  
14 (or an employer’s association which is party to a col-  
15 lective bargaining agreement) to submit a written  
16 plan describing the manner in which the require-  
17 ments of this subsection will be implemented and  
18 containing such other information as the Secretary  
19 of Labor determines is appropriate;

20           “(9) in the case of employees represented by a  
21 union, the appropriate official of the union has  
22 agreed to the terms of the employer’s written plan  
23 and implementation is consistent with employer obli-  
24 gations under the National Labor Relations Act; and

1           “(10) the program meets such other require-  
2           ments as the Secretary of Labor determines appro-  
3           priate.”.

4           (b) ASSISTANCE AND GUIDANCE IN IMPLEMENTING  
5 PROGRAMS.—

6           (1) ASSISTANCE AND GUIDANCE.—

7           (A) IN GENERAL.—In order to assist  
8           States in establishing, qualifying, and imple-  
9           menting short-time compensation programs, as  
10          defined in section 3306(v) of the Internal Rev-  
11          enue Code of 1986 (as added by subsection  
12          (a)), the Secretary of Labor (in this section re-  
13          ferred to as the “Secretary”) shall—

14                   (i) develop model legislative language  
15                   which may be used by States in developing  
16                   and enacting short-time compensation pro-  
17                   grams and shall periodically review and re-  
18                   vise such model legislative language;

19                   (ii) provide technical assistance and  
20                   guidance in developing, enacting, and im-  
21                   plementing such programs;

22                   (iii) establish biannual reporting re-  
23                   quirements for States, including number of  
24                   averted layoffs, number of participating

1 companies and workers, and retention of  
2 employees following participation; and

3 (iv) award start-up grants to State  
4 agencies under subparagraph (B).

5 (B) GRANTS.—

6 (i) IN GENERAL.—The Secretary shall  
7 award start-up grants to State agencies  
8 that apply not later than September 30,  
9 2010, in States that enact short-time com-  
10 pensation programs after the date of en-  
11 actment of this Act for the purpose of cre-  
12 ating such programs. The amount of such  
13 grants shall be awarded depending on the  
14 costs of implementing such programs.

15 (ii) ELIGIBILITY.—In order to receive  
16 a grant under clause (i) a State agency  
17 shall meet requirements established by the  
18 Secretary, including any reporting require-  
19 ments under clause (iii). Each State agen-  
20 cy shall be eligible to receive not more than  
21 one such grant.

22 (iii) REPORTING.—The Secretary may  
23 establish reporting requirements for State  
24 agencies receiving a grant under clause (i)  
25 in order to provide oversight of grant

1 funds used by States for the creation of  
2 short-time compensation programs.

3 (iv) FUNDING.—There are appro-  
4 priated, out of any moneys in the Treasury  
5 not otherwise appropriated, to the Sec-  
6 retary, such sums as the Secretary certifies  
7 as necessary for the period of fiscal years  
8 2010 and 2011 to carry out this subpara-  
9 graph.

10 (2) TIMEFRAME.—The initial model legislative  
11 language referred to in paragraph (1)(A) shall be  
12 developed not later than 60 days after the date of  
13 enactment of this Act.

14 (c) REPORTS.—

15 (1) INITIAL REPORT.—Not later than 4 years  
16 after the date of enactment of this Act, the Sec-  
17 retary shall submit to Congress and to the President  
18 a report or reports on the implementation of this  
19 section. Such report or reports shall include—

20 (A) a study of short-time compensation  
21 programs;

22 (B) an analysis of the significant impedi-  
23 ments to State enactment and creation of such  
24 programs; and

1 (C) such recommendations as the Sec-  
2 retary determines appropriate.

3 (2) SUBSEQUENT REPORTS.—After the submis-  
4 sion of the report under paragraph (1), the Sec-  
5 retary may submit such additional reports on the  
6 implementation of short-time compensation pro-  
7 grams as the Secretary deems appropriate.

8 (3) FUNDING.—There are appropriated, out of  
9 any moneys in the Treasury not otherwise appro-  
10 priated, to the Secretary, \$1,500,000 to carry out  
11 this subsection, to remain available without fiscal  
12 year limitation.

13 (d) CONFORMING AMENDMENTS.—

14 (1) INTERNAL REVENUE CODE OF 1986.—

15 (A) Subparagraph (E) of section  
16 3304(a)(4) of the Internal Revenue Code of  
17 1986 is amended to read as follows:

18 “(E) amounts may be withdrawn for the  
19 payment of short-time compensation under a  
20 short-time compensation program (as defined in  
21 section 3306(v));”.

22 (B) Subsection (f) of section 3306 of the  
23 Internal Revenue Code of 1986 is amended—

1 (i) by striking paragraph (5) (relating  
2 to short-term compensation) and inserting  
3 the following new paragraph:

4 “(5) amounts may be withdrawn for the pay-  
5 ment of short-time compensation under a short-time  
6 compensation program (as defined in subsection  
7 (v));”, and

8 (ii) by redesignating paragraph (5)  
9 (relating to self-employment assistance  
10 program) as paragraph (6).

11 (2) SOCIAL SECURITY ACT.—Section 303(a)(5)  
12 of the Social Security Act is amended by striking  
13 “the payment of short-time compensation under a  
14 plan approved by the Secretary of Labor” and in-  
15 serting “the payment of short-time compensation  
16 under a short-time compensation program (as de-  
17 fined in section 3306(v) of the Internal Revenue  
18 Code of 1986)”.

19 (3) REPEAL.—Subsections (b) through (d) of  
20 section 401 of the Unemployment Compensation  
21 Amendments of 1992 (26 U.S.C. 3304 note) are re-  
22 pealed.

23 (e) EFFECTIVE DATE.—The amendments made by  
24 this section shall take effect on the date of enactment of  
25 this Act.



1 **SEC. 4. TEMPORARY FINANCING OF CERTAIN SHORT-TIME**  
2 **COMPENSATION PROGRAMS.**

3 (a) PAYMENTS TO STATES WITH CERTIFIED PRO-  
4 GRAMS.—

5 (1) IN GENERAL.—Not later than 30 days after  
6 the date of enactment of this Act, the Secretary  
7 shall establish a program under which the Secretary  
8 shall make payments to any State unemployment  
9 trust fund to be used for the payment of unemploy-  
10 ment compensation if the Secretary approves an ap-  
11 plication for certification submitted under paragraph  
12 (3) for such State to operate a short-time compensa-  
13 tion program (as defined in section 3306(v) of the  
14 Internal Revenue Code of 1986 (as added by section  
15 3(a))) which requires the maintenance of health and  
16 retirement employee benefits as described in para-  
17 graph (7) of such section 3306(v), notwithstanding  
18 the otherwise effective date of such requirement.

19 (2) FULL REIMBURSEMENT.—Subject to sub-  
20 section (d), the payment to a State under paragraph  
21 (1) shall be an amount equal to 100 percent of the  
22 total amount of benefits paid to individuals by the  
23 State pursuant to the short-time compensation pro-  
24 gram during the period—

1 (A) beginning on the date a certification is  
2 issued by the Secretary with respect to such  
3 program; and

4 (B) ending on September 30, 2011.

5 (3) CERTIFICATION REQUIREMENTS.—

6 (A) IN GENERAL.—Any State seeking full  
7 reimbursement under this subsection shall sub-  
8 mit an application for certification at such time,  
9 in such manner, and complete with such infor-  
10 mation as the Secretary may require (whether  
11 by regulation or otherwise), including informa-  
12 tion relating to compliance with the require-  
13 ments of paragraph (7) of such section 3306(v).  
14 The Secretary shall, within 30 days after receiv-  
15 ing a complete application, notify the State  
16 agency of the State of the Secretary's findings  
17 with respect to the requirements of such para-  
18 graph (7).

19 (B) FINDINGS.—If the Secretary finds  
20 that the short-time compensation program oper-  
21 ated by the State meets the requirements of  
22 such paragraph (7), the Secretary shall certify  
23 such State's short-time compensation program  
24 thereby making such State eligible for full reim-  
25 bursement under this subsection.

1           (b) TIMING OF APPLICATION SUBMITTALS.—No ap-  
2 plication under subsection (a)(3) may be considered if sub-  
3 mitted before the date of enactment of this Act or after  
4 the latest date necessary (as specified by the Secretary)  
5 to ensure that all payments under this section are made  
6 before September 30, 2011.

7           (c) TERMS OF PAYMENTS.—Payments made to a  
8 State under subsection (a)(1) shall be payable by way of  
9 reimbursement in such amounts as the Secretary esti-  
10 mates the State will be entitled to receive under this sec-  
11 tion for each calendar month, reduced or increased, as the  
12 case may be, by any amount by which the Secretary finds  
13 that the Secretary’s estimates for any prior calendar  
14 month were greater or less than the amounts which should  
15 have been paid to the State. Such estimates may be made  
16 on the basis of such statistical, sampling, or other method  
17 as may be agreed upon by the Secretary and the State  
18 agency of the State involved.

19           (d) LIMITATIONS.—

20               (1) GENERAL PAYMENT LIMITATIONS.—No  
21 payments shall be made to a State under this sec-  
22 tion for benefits paid to an individual by the State  
23 pursuant to a short-time compensation program that  
24 is in excess of 26 weeks of benefits.

1           (2) EMPLOYER LIMITATIONS.—No payments  
2 shall be made to a State under this section for bene-  
3 fits paid to an individual by the State pursuant to  
4 a short-time compensation program if such indi-  
5 vidual is employed by an employer—

6           (A) whose workforce during the 3 months  
7 preceding the date of the submission of the em-  
8 ployer’s short-time compensation plan has been  
9 reduced by temporary layoffs of more than 20  
10 percent;

11           (B) on a seasonal, temporary, or intermit-  
12 tent basis; or

13           (C) engaged in a labor dispute.

14           (3) PROGRAM PAYMENT LIMITATION.—In mak-  
15 ing any payments to a State under this section pur-  
16 suant to a short-time compensation program, the  
17 Secretary may limit the frequency of employer par-  
18 ticipation in such program.

19           (e) CHARGING RULE.—Under a short-time com-  
20 pensation program reimbursed under this section, a State  
21 may require short-time compensation benefits paid to an  
22 individual to be charged to a participating employer re-  
23 gardless of the base period charging rule.

24           (f) RETENTION REQUIREMENT.—

1           (1) IN GENERAL.—A participating employer  
2 under this section is required to comply with the  
3 terms of the written plan approved by the State  
4 agency and act in good faith to retain participating  
5 employees, and the State shall, in the event of any  
6 violation, require such employer to repay to the  
7 State a sum based on the amount expended by the  
8 State under the program as a result of that viola-  
9 tion.

10           (2) OVERSIGHT AND MONITORING.—The Sec-  
11 retary shall establish an oversight and monitoring  
12 process by regulation by which State agencies will  
13 ensure that participating employers comply with the  
14 requirements of paragraph (1).

15           (3) PENALTY REMITTANCE.—In the case of any  
16 State which receives reimbursement under this sec-  
17 tion, if such State determines that a violation of  
18 paragraph (1) has occurred, the State shall transfer  
19 an appropriate amount to the United States of the  
20 repayment the State required of the employer pursu-  
21 ant to such paragraph.

22           (g) FUNDING.—There are appropriated, from time to  
23 time, out of any moneys in the Treasury not otherwise  
24 appropriated, to the Secretary, such sums as the Secretary  
25 certifies are necessary to carry out this section (including

1 to reimburse any additional administrative expenses in-  
2 curred by the States in operating such short-time com-  
3 pensation programs).

4 (h) DEFINITION OF STATE.—In this section, the term  
5 “State” includes the District of Columbia, the Common-  
6 wealth of Puerto Rico, and the Virgin Islands.

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