Congress of the United States

Washington, DC 20515

March 14, 2025

The Honorable Lori Chavez-DeRemer
Secretary
United States Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Secretary Chavez-DeRemer,

We write to address the pressing issues facing our nation's unemployment insurance (UI) system. Under the leadership of former Acting Secretary Su, waste, fraud, and a consistent lack of transparency defined the unemployment compensation system. The pandemic exposed many weaknesses in our nation's UI system, and it will take a strong partnership between Congress and the Trump Administration to prepare state UI offices for present and future challenges. Despite increased attention, fraudulent and improper payment rates have continued to persist well above pre-pandemic levels. The UI program had the third highest improper payment rate of all federal programs in fiscal year (FY) 2023 at 32 percent of outlays, totaling $48 billion in improper payments.[1] The improper payment rate for the UI system was 16.5 percent in FY 23 and 35.9 percent for pandemic UI.[2] Together, we must redress the damage caused by the prior administration by encouraging states to build strong UI systems that verify identities, deliver benefits quickly, and return claimants to meaningful work.

First, the "pay and chase" model that has defined benefit delivery in recent years must end. It's a model well-exemplified by former Acting Secretary Julie Su, who oversaw the pay and chase model in California and permitted states to forgive outstanding fraudulent payments through state finality laws when she became acting secretary.[3] Instead of permitting and forgiving pay and chase models, DOL must provide guidance that helps states identify fraud schemes while removing confusing and overbearing pieces of guidance, such as Unemployment Insurance Program Letter (UIPL) 16-21. As long as states deliver payment when is administratively feasible,[4] they should not be coerced by DOL rules to pay claimants on appeal, particularly when backlogs are high.

Second, DOL should promote the general program integrity and quality of state UI systems. DOL must reexamine the Resource Justification Model,[5] the formula for distributing administrative funding to states. The formula allocates more money to states that take longer to process claims and less to the ones that deliver benefits quickly and stop fraudulent claims immediately. Reforms to this antiquated and overly complicated model should accompany improved data metrics that accurately show improper payment rates, benefit timeliness, the quality of appeals, and cybersecurity strength. For example, DOL says, "Slightly more than 80 percent of the fraud overpayments were not detectable through normal agency procedures" during performance

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[1] Government Accountability Office, "Payment Integrity: Significant Improvements Are Needed to Address Improper Payments and Fraud." https://www.gao.gov/assets/880/871169.pdf.
[2] Government Accountability Office, "Improper Payments: Key Concepts and Information on Programs with High Rates or Lacking Estimates." https://www.gao.gov/assets/gao-24-107482.pdf.
[3] Department of Labor, "Unemployment Insurance Program Letter No. 05-24." https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2024/UIPL%2005-24/UIPL%2005-24.pdf.
[4] Department of Labor, "Unemployment Insurance Program Letter No. 04-01, U.S. Department of Labor," https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-04-01.
[5] U.S. Department of Labor. "ETA Handbook No. 410, 6th Edition," Pg. A-41. https://www.dol.gov/agencies/eta/advisories/handbooks/et-handbook-no-410-6th-edition.

year 2023.[6] The vulnerabilities inherent to the Resource Justification Model jeopardize the UI system's preparedness for economic downturns and its ability to prevent fraud on the front end. Ensuring states are properly incentivized to process claims will lead directly to more effective administrative outlays.

Third, DOL must provide Congress with relevant information to reform the UI system. The Biden Administration DOL did not release details of the $780 million in UI modernization grants funded by the American Rescue Plan.[7] Congress has not been informed of the details of these grants, such as the recipients, the amounts, the purpose for receiving the grant, or the date the grant was given. It's unclear how state UI offices have improved or regressed as a result of these grants.

Finally, Congress must also play its part. Absent immediate action, the statute of limitations for recouping improper pandemic UI payments starts to expire on March 27, 2025. Roughly just 0.8% of fraudulent pandemic unemployment payments were recovered.[8] The Senate is considering a bill to extend the statute of limitations to prosecute and recoup fraudulent distribution of all pandemic program funds from 5 to 10 years. The House passed a bill to extend the statute of limitations for pandemic unemployment insurance programs from 5 to 10 years. These bills respond to a report by the Government Accountability Office (GAO) that estimated fraud totals from pandemic UI programs to be between $100 billion and $135 billion.[9] Moving forward, we must work in tandem to identify and enact reforms that ensure accurate administration of the UI system so that we can restore integrity to this important program.

The lack of accountability shown by the previous administration inflicted lasting damage on the unemployment compensation system, hurting taxpayers and those who actually needed benefits. The only viable path forward is to reshape the UI system by prioritizing program integrity, fiscal responsibility, and efficient reentry into the workforce. We look forward to opening a dialogue on saving taxpayer dollars and more effectively serving American workers.
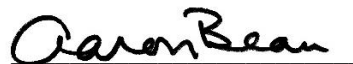
Sincerely,

James Lankford
United States Senator

Lloyd Smucker
Member of Congress

Jodey Arrington
Member of Congress

Aaron Bean
Member of Congress

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[6] U.S. Department of Labor, "Benefit Accuracy Measurement Payment Integrity Information Act State Data Summary Performance Year 2023," https://oui.doleta.gov/unemploy/bam/2023/PIIA_2023_Benefit_Accuracy_Measurement_Annual_Report.pdf.

[7] U.S. Department of Labor. "Insights and Successes: American Rescue Plan Act Investments in Unemployment Insurance Modernization," https://oui.doleta.gov/unemploy/arpasuccess.asp#:~:text=In%20the%20two%20and%20half,million%20in%20grants%20to%20states.

[8] Ibid.

[9] GAO. "Unemployment Insurance. Estimated Amount of Fraud during Pandemic Likely Between $100 Billion and $135 Billion." www.gao.gov/assets/gao-23-I 06696.pdf.