STATEMENT

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May 23, 2025

Today, the U.S. Department of Labor sent a letter to state unemployment insurance (UI) agencies, requiring them to return any unspent funds allocated in the American Rescue Plan Act to combat fraud, enhance timeliness, and increase equitable access to benefits. Academy Senior Fellow Michele Evermore — who served in the Office of Unemployment Insurance Modernization at the U.S. Department of Labor, which was responsible for implementing the plans to spend this funding — released the following statement:

> This Administration inherited a strong economy that was consistently adding jobs and that reduced inflation more quickly than the rest of the world after the COVID-19 pandemic. Rather than build on those sound policies, it has chosen to lean into whipsaw "will they or won't they" tariffs, gutting the scientific research that had positioned this nation as a leader in innovation, gutted federal agencies that protect consumers and workers, downgraded our credit globally, and has dramatically increased the likelihood we will face a recession this year.
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> In a world where we should be providing states with additional assistance to prepare for an economic downturn, we should allocate funding to states to cross-train staff and integrate enhanced technology capabilities. Instead of doing that, this administration has elected to recall hundreds of thousands in funds that would help state agencies improve the accuracy of their determinations and make those decisions more quickly because the funds used to accomplish this work fell into a government-wide CTRL+F sweep for the word "equity."

This funding was being used for a vast array of solutions and was helping states learn from one another how to process claims accurately and efficiently. States got funding in four main ways: 1) grants to fight fraud, 2) grants to improve equity, 3) funding to participate in evaluations with teams of multi-disciplinary efforts (also known as Tiger Teams), and 4) technology modernization.

States used fraud grants for proven interventions, such as cross-matching and procuring security software to more accurately root out fraudsters, as well as adding in-person identity verification through the U.S. Postal Service when software failed to validate claimants. Equity grants had what disability advocates refer to as the "curb cut effect." Interventions that improved UI for the most underserved populations also made the system easier to use for everyone. States carefully examined the consumer experience to improve it, added staff to help people navigate complex systems and identify pain points for applicants that could be addressed, reached out to the community to help people better understand the UI, and rewrote jargon-filled forms into plain language. Thirty-six states that agreed to work with Tiger Teams helped to build DOL's understanding of best business practices, which led to central tools states could use, such as the Robotic Process Automation (RPA) toolkit and the Equitable Access Toolkit.

Many Tiger Team findings served multiple purposes. Sometimes solutions that improved timeliness also made access more equitable also helped to prevent fraud. Providing claimants with status updates to improve equity can also reduce the workload on staff, allowing them to improve timeliness.

Finally, on technology modernization, the Biden Administration continued and built on efforts begun in the first Trump Administration to find agile, modern solutions to upgrade outdated technology. Direct grants to states to implement solutions that two administrations spent years studying were among the most recently implemented and likely the least fully implemented to dat
e. This underscores that making unemployment insurance work for claimants should not need a D or R associated with it, and this action to rescind money that was methodically and carefully allocated and used in nearly every state to protect the viability of this core countercyclical stabilizer is an extreme action.

We should focus on improving our nation's most critical countercyclical stabilizer, rather than eroding the minimal supports that states currently draw from. Hopefully, we will continue to see progress toward bipartisan agreement in Congress and among the UI policy community, building on the progress states have made in developing resilient UI systems that deliver the right benefits to all eligible claimants on time.

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