May 29, 2025

The Honorable Lori Chavez-DeRemer
Secretary of Labor
U.S. Department of Labor
200 Constitution Avenue
Washington, DC 20210

Dear Secretary Chavez-DeRemer,

Last week, the U.S. Department of Labor (U.S. DOL) sent a letter to state unemployment insurance (UI) agencies, requiring them to return any unspent funds allocated in the American Rescue Plan Act (ARPA). In establishing the plan to spend that funding, the U.S. DOL meticulously followed Congress's intent. Section 9032 of ARPA granted funding "to remain available until expended, to detect and prevent fraud, promote equitable access, and ensure the timely payment of benefits with respect to unemployment compensation programs, including programs extended under subtitle A of title IX of the American Rescue Plan Act of 2021." It is up to any administration to faithfully carry out the laws that the Congress passes.

Rescinding funding that had been granted to states has enormous cascading consequences. States that are mid-way through in-depth modernization projects may have to abandon them entirely. This wastes taxpayer dollars that have advanced projects which had the potential to make sure eligible claimants get timely access to benefits while preventing fraudulent actors from accessing UI systems, and information gained from these prevention efforts is used to protect systems outside of unemployment from malfeasance. We fervently hope that this administration does not have to deal with an economic downturn, because revoking these funds will have a dramatic adverse impact on state systems we count on to provide a macroeconomic stabilizer.

This also hurts the relationship between the U.S. DOL and the states. During the chaos of the pandemic, states realized the acute need to work more closely with the federal government and each other to build solutions in a crisis. In engaging with states in a convener/collaborator role, U.S. DOL was able to learn from states and help states learn from each other best practices to keep fraudulent actors out and cut unnecessary bureaucratic red tape. Pulling back funding that states built their operating budgets around will make it much more difficult in the future to convince states to engage with U.S. DOL to work collaboratively towards badly overdue improvements to the system.

This funding was being used for a vast array of solutions and was helping states learn from one another about how to process claims accurately and efficiently. States received funding for four main purposes: 1) to fight fraud, 2) to improve equity, 3) to implement recommendations developed with multi-disciplinary teams of experts (also known as Tiger Teams), and 4) to modernize technology.

States used anti-fraud grants to implement proven interventions, such as cross-matching, identity verification, and procuring security software to more accurately root out fraudulent actors, 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. These projects helped level the playing field for rural users, people with disabilities, older Americans, and people without a college degree. 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 UI, and rewrote jargon-filled forms into plain language.

Thirty-six states that agreed to work with Tiger Teams helped to inform the U.S. DOL’s understanding of best business practices, which led to central tools states could use, such as the Robotic Process Automation (RPA) toolkit. Many Tiger Team findings served multiple purposes. Sometimes solutions that improved timeliness also made access more equitable *and* helped to prevent fraud. Providing claimants with status updates can reduce the workload on staff, facilitate access to benefits among eligible workers and allow states 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 therefore the most likely to be impacted by the rescission. This underscores that making UI work for claimants, states, and employers should not need a party affiliation associated with it. Further, this rescission of funding will impact all states other than one (Minnesota) who voluntarily agreed to pursue funding to support projects to protect the viability of this core countercyclical stabilizer is an extreme action.

We hope that this administration reverses course on this rescission and allows states to complete critical modernization projects already underway. We stand ready to engage with anyone in the agency to help ensure that states have the tools they need to responsibly administer this key program.

Sincerely,

Michele Evermore, Senior Fellow
National Academy of Social Insurance

Andrew Stettner, Director of Economy and Jobs
The Century Foundation

Judy Conti, Government Affairs Director
Flannery O'Rourke, Unemployment Insurance Program Director
National Employment Law Project

Cc: The Honorable Keith Sonderling, Deputy Secretary