A Dozen States Enact Bipartisan Program Integrity Laws to Protect Unemployment Insurance Programs

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A little more than $26 billion in state unemployment insurance (UI) benefits were improperly paid to ineligible or fraudulent claimants during the most recent three-year period covered by a U.S. Department of Labor report.[1] The data, submitted by state workforce agencies that administer UI programs, doesn't include the estimated $400 billion in federal pandemic-related unemployment benefits that were lost to fraud.[2][3]

In the face of this massive problem, a dozen states have passed bipartisan legislation since 2020 implementing program integrity best practices that help state workforce agencies protect the UI program from waste and fraud. These dozens of pieces of legislation are a success story that illustrates how bold efforts in state capitols across the country can solve a problem of national magnitude.[4]

At the heart of most improper payments is a failure to verify information submitted to the system. Claimants are responsible for submitting accurate identity, work history, wage, and work search information in order to have their claim processed and weekly unemployment benefits paid. States in turn also work with employers to collect both the taxes that fund UI benefits as well as the information necessary to process benefit eligibility based on recent employment and salary.

Incorrect or inaccurate information submitted by either a former employee or employer can lead to benefits being paid incorrectly. Worse, fraudulent actors can use stolen identity information to submit false claims that allow them to rob the system of benefits, depleting trust funds, pulling benefits away from truly eligible claimants, and leading to higher taxes on employers.[5]

Verification of information is the best way to protect unemployment insurance programs from waste and fraud. At a congressional hearing in early 2023, the Pandemic Response Accountability Committee Inspector General said that self-certification—which means the individual submitting the information never has their assertion cross-checked—made the Pandemic Unemployment Assistance program highly susceptible to fraud.[6]

The problem of self-certification also impacts regular UI programs as well and is not a pandemic phenomenon. Tennessee reported to federal officials in its UI Integrity Strategic Plan for 2019–2020 that it would end the process of UI claimants self-certifying they met work search requirements. According to their report, "Claimants were allowed to certify and did not have to provide the work search prior to payment." This, in their opinion, contributed to pre-pandemic overpayment of benefits to ineligible claimants.[7]

Combating inaccurate, false, or fraudulent information submitted in unemployment claims is a matter of cross-checking claims information against databases that prove or disprove the information. That's the idea behind the Integrity Data Hub, a cloud-based program created by the National Association of State Workforce Agencies, that allows states to cross-check UI claims against various data sets to identify fraudulent or ineligible claims.[8] States can also cross-check weekly unemployment claims against the National Directory of New Hires or their own state new hires directory to identity workers who may have returned to work and failed to notify the UI program of their new employment.

In 2020, Louisiana's Republican-majority legislature passed a bill requiring the Louisiana Workforce Commission to use the Integrity Data Hub and cross-check unemployment claims against new hires records and incarceration records (inmates are not eligible to receive unemployment benefits).[9] Democratic Governor John Bel Edwards signed the measure into law— proof that fighting unemployment fraud is a good-government issue that doesn't require partisan disagreement.

Louisiana expanded the scope of its program integrity requirements two years later to require LWC to scrutinize UI claims filed from foreign IP addresses and aggressively pursue the recovery of fraudulently claimed benefits. Once again Republicans and Democrats worked together to promote program integrity.[10]

In 2021 there was a flurry of legislative activity as Arizona, Arkansas, Alabama, Kentucky, Kansas, Montana, and West Virginia all enacted statutory requirements that their workforce agencies implement robust program integrity measures.[11] [12] [13] [14] [15] [16] Kansas was particularly thorough with its approach, requiring cross-checks with, among other things, federal Social Security Administration databases which can help verify claimant identity and incarceration status (thanks to the Prisoner Update Processing System).[17] [18]

Generally shorter legislative sessions and looming elections didn't stop four more states – Virginia, Mississippi, Ohio, and South Dakota – from passing program integrity requirements into law in 2022.[19] [20] [21] [22]

STATES THAT ENACTED UI PROGRAM INTEGRITY REFORMS
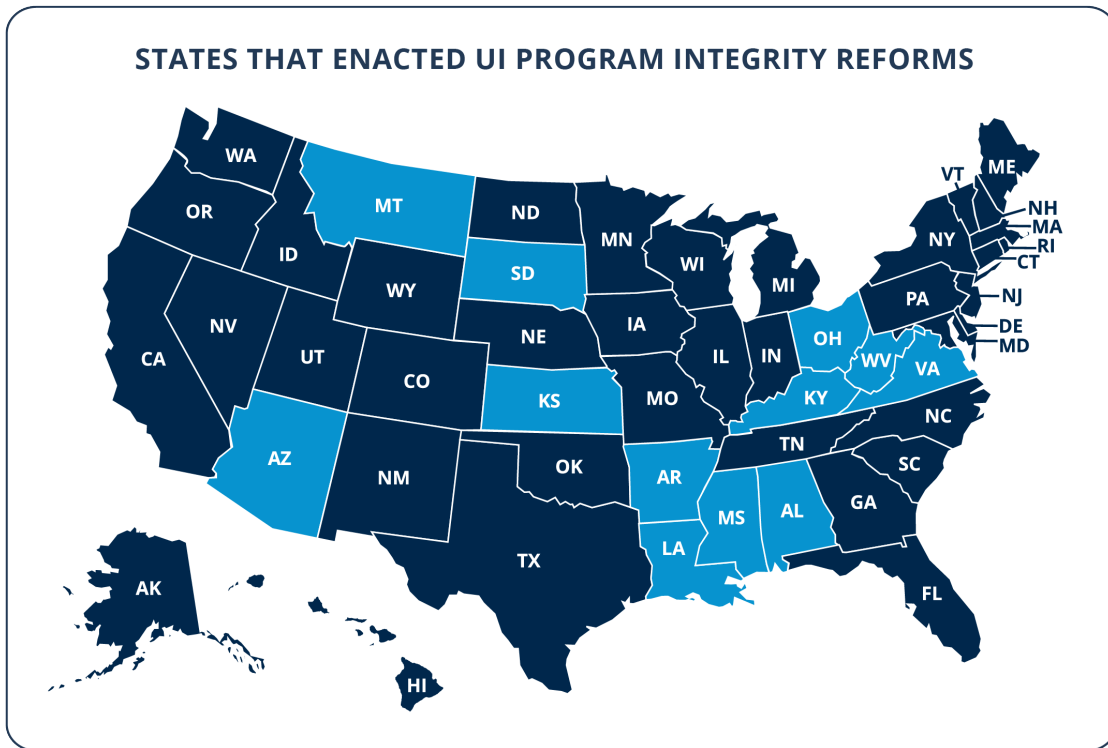
The estimated fiscal impact of these measures varies from state to state because legislative fiscal estimates can be highly subjective and may sometimes count costs covered by existing appropriations. Montana, for example, found that program integrity requirements added no cost to the state agency that administers the unemployment program.[23] Kentucky even projected cost savings because robust program integrity measures *decrease* waste and fraud.[24] The Integrity Data Hub alone has helped states prevent $2.4 billion in improper payments.[25]

Use of the Integrity Data Hub and existing state and federal databases for claims cross-checks is free for state UI program administrators.[26] In cases where bureaucrats feel the need to upgrade computer systems to handle new program integrity requirements, Ohio's experience offers a model. There, lawmakers allocated federal American Rescue Plan Act (ARPA) funds to the Department of Job and Family Services to pay for UI system upgrades.[27]
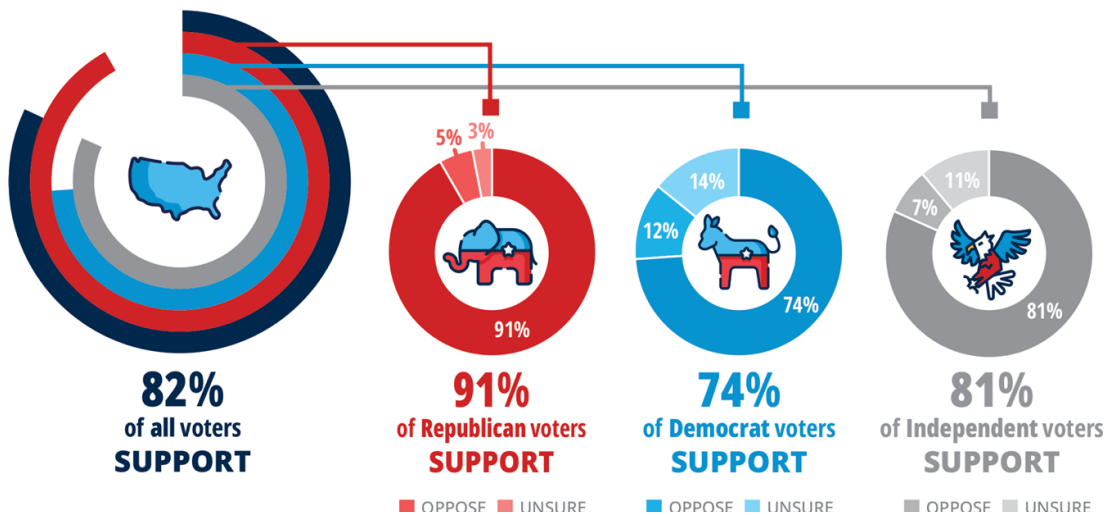
The U.S. Department of Labor has also made $2 billion available to states to pay for UI system upgrades, with a portion of that money specifically earmarked to fund program integrity enhancements.[28]

State lawmakers may hear from their workforce agencies that various program integrity actions are already conducted by the agency. That's a good thing—but during the pandemic when the federal government waived regular program integrity audits some states without statutory program integrity requirements threw up their hands and simply stopped trying to detect and deter fraud. Illinois stopped auditing UI claims, for example, and Wisconsin stopped using identity
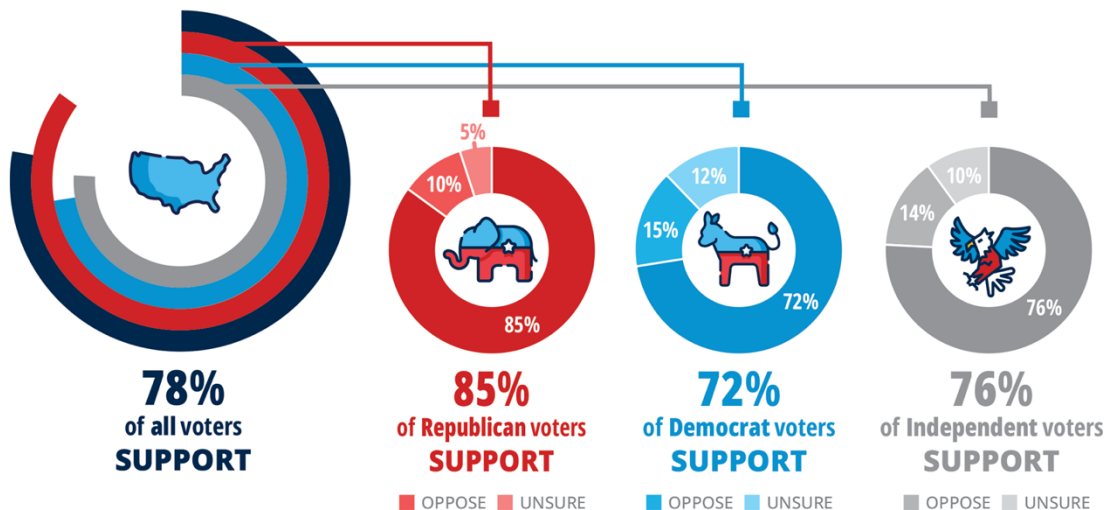
verification and foreign internet protocol, address screening for part of 2020, when the number of fraudulent claims were arguably the highest nationwide.[29] [30]

Voters intuitively understand the need to protect UI systems from fraud and abuse. Polling conducted by the Foundation for Government Accountability found that 84 percent of all voters support verifying claimant identities before paying UI benefits, 82 percent support cross-checking claims with incarceration records to prevent payments to prisoners, and 71 percent support cross-checking claims against new hire records to ensure that only the truly unemployed receive unemployment benefits.[31] [32]
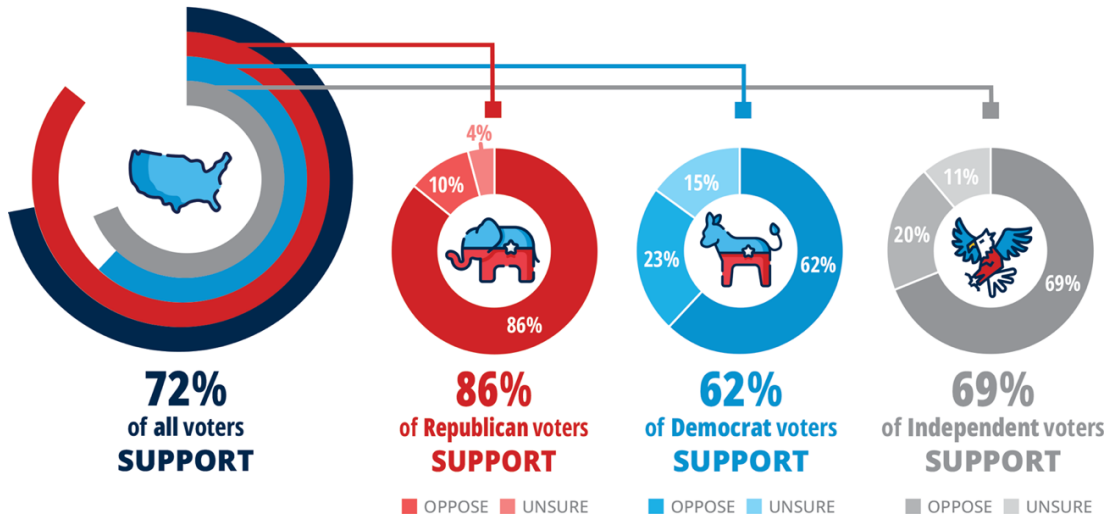
Would you support or oppose conducting more frequent audits of the states' unemployment systems to help detect fraud?

82%
of all voters
SUPPORT

91%
of Republican voters
SUPPORT

5% 3%
91%

■ OPPOSE ■ UNSURE

74%
of Democrat voters
SUPPORT

14%
12%
74%

■ OPPOSE ■ UNSURE

81%
of Independent voters
SUPPORT

11%
7%
81%

■ OPPOSE ■ UNSURE

Would you support or oppose requiring states to establish a mandatory job referral system that connects unemployed job seekers with businesses that are hiring?

78%
of all voters
SUPPORT

85%
of Republican voters
SUPPORT

5%
10%
85%

■ OPPOSE ■ UNSURE

72%
of Democrat voters
SUPPORT

12%
15%
72%

■ OPPOSE ■ UNSURE

76%
of Independent voters
SUPPORT

10%
14%
76%

■ OPPOSE ■ UNSURE

Would you support or oppose disqualifying individuals from unemployment benefits if they have been laid off and then refuse to return to work once they are recalled?

72% of all voters **SUPPORT**

86% of Republican voters **SUPPORT**

62% of Democrat voters **SUPPORT**

69% of Independent voters **SUPPORT**

■ OPPOSE ■ UNSURE   ■ OPPOSE ■ UNSURE   ■ OPPOSE ■ UNSURE

An unemployment insurance program is only as effective as the program integrity measures that ensure waste and fraud don't deplete benefits for those who truly need them. State lawmakers have a tremendous opportunity right now to protect their state UI programs and fortunately, a dozen states have already led the way, showing how it can be done.

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