

United States Senate

WASHINGTON, DC 20510

August 28, 2025

VIA ELECTRONIC TRANSMISSION

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

Dear Secretary Chavez-DeRemer,

During the Biden administration, state unemployment insurance (UI) offices were overwhelmed by fraudulent claims amidst the pandemic. The sharp increase in the number of claims combined with an enhanced federal subsidy to normal UI payments caused a historic spike in fraudulent activity. In 2021, the Department of Labor (DOL) awarded more than \$780 million in American Rescue Plan Act (ARPA) UI grants to all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Section 9032 of the American Rescue Plan Act (ARPA) authorized \$2 billion (later reduced to \$1 billion by the Fiscal Responsibility Act of 2023) in funding for the unemployment insurance program for the purposes of “detect[ing] and prevent[ing] fraud, promot[ing] equitable access, and ensur[ing] the timely payment of benefits.” Despite this, state UI offices’ performance did not meaningfully improve during the pandemic, during which at least \$191 billion in improper UI benefits were distributed.¹

In Fiscal Year (FY) 2023 alone, 32 percent (\$48 billion) of UI payments were distributed improperly.² The Department’s outdated technology systems, poor identity verification, and confusing and burdensome guidance³⁴ hampered states from separating good-faith claimants from fraudsters. As a result of this mismanagement, the UI system has been on the Government Accountability Office’s High-Risk List since June 2022, with no clear indication when it will be removed. The UI system must work for American taxpayers, not criminal actors using false identities.

¹ Larry Turner, Inspector General for the U.S. Department of Labor, *The Greatest Theft of American Tax Dollars: Unchecked Unemployment Fraud*, Testimony before the U.S. House of Representatives Committee on Ways and Means (Feb. 8, 2023), <https://www.oig.dol.gov/public/testimony/02082023.pdf>.

² Payment Integrity: Significant Improvements Are Needed to Address Improper Payments and Fraud, Government Accountability Office (Sep. 10, 2024), <https://www.gao.gov/products/gao-24-107660>.

³ *Unemployment Insurance Program Letter No. 16-21*, U.S. Department of Labor (April 13, 2021), <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-16-21>

⁴ Letter from Senator James Lankford to Julie Su, Acting Secretary, U.S. Department of Labor (June 18, 2024), <https://www.lankford.senate.gov/news/press-releases/lankford-urges-biden-admin-to-back-state-level-prevention-of-unemployment-insurance-fraud/>.

On May 22, as part of a larger review of ARPA funding, DOL announced it would be terminating all UI ARPA grants. The notice states that “after completing its review, the Department may consider new funding opportunities to achieve these objectives.” To address the ongoing challenges of the UI program and appropriately direct future funding, the Department must, as part of this “comprehensive review,” assess the strengths, weaknesses, and potential threats to state UI systems. This assessment should consider the problems identified by states in their ARPA grant applications, as well as the experience of states in their implementation of grants projects. The statutory authority of ARPA provides the Department with the opportunity to encourage states to modernize their front-end verification systems and improve overall program integrity. These measures are necessary to save taxpayer dollars and stymie criminal organizations – many of which are international – from stealing UI benefits. As captured in a February House Ways and Means Committee hearing, transnational fraud rings, terrorist organizations, and hostile nation-states are the biggest threats to American entitlement programs.⁵ Such international criminal organizations are responsible for the majority of pandemic-era UI fraud. Instead of responsibly disbursing federal funds, the Biden administration’s Department of Labor opted to prioritize equity initiatives within UI, not detecting evolving fraud schemes. It is critical that the Department move away from these misguided priorities and act expeditiously to prepare against future fraud schemes.

To encourage collaboration between Congress and the Department in strengthening the UI system, we respectfully request responses to the following requests by September 25, 2025:

1. Conduct a “comprehensive review” of the effectiveness of the UI ARPA grants and provide the members of the undersigned committees with the findings of such an assessment within 120 days of the date of this letter. Such an assessment should include:
 - a. A detailed accounting of each grant, including but not limited to, its purpose or goal and efficacy.
 - b. The number of ARPA UI grants awarded during the Biden administration, and each grant’s stated purpose or category.
 - c. The number of grants awarded to state UI offices as ‘equity grants’⁶, a description of the Department’s determination of allowable use of funds for states awarded equity grants, and their monetary total.
 - d. Any methodology or criteria the Biden administration used to determine when to award these grants and how much to award.
2. What is the total amount of Section 9032 funding that remains unobligated as of the date of the Department’s reply to this letter?

⁵ Haywood Talcove, Chief Executive Officer for LexisNexis, *Time’s Running Out: Prosecuting Fraudsters for Stealing Billions in Unemployment Benefits from American Workers*, Testimony before the U.S. House of Representatives Committee on Ways and Means, Subcommittee on Work and Welfare (Feb. 6, 2025), <https://waysandmeans.house.gov/wp-content/uploads/2025/01/Talcove-Testimony.pdf>.

⁶ *Unemployment Insurance Program Letter No. 23-21*, U.S. Department of Labor (August 17, 2021), <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-23-21>.

3. How will the Trump administration use the remaining funds to strengthen state UI offices?

Sincerely,

Bill Cassidy, M.D.

Bill Cassidy, M.D.
United States Senator
Chairman, Senate Committee
on Health, Education,
Labor, and Pensions

Susan M Collins

Susan M. Collins
United States Senator
Chair, Senate Committee
on Appropriations

Mike Crapo

Michael D. Crapo
United States Senator
Chairman, United States
Senate Committee on Finance