Statement for the Record

House Committee on Ways and Means, Work and Welfare Subcommittee Hearing: “Reforming Unemployment Insurance to Support American Workers and Businesses”
June 4, 2024

The Honorable Darin LaHood
Chair, Work and Welfare Subcommittee
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Danny Davis
Ranking Member, Work and Welfare Subcommittee
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Chairman LaHood, Ranking Member Davis, and Members of the Subcommittee:

Arnold Ventures appreciates the opportunity to submit this statement for the record in relation to the Subcommittee’s June 4, 2024 hearing, “Reforming Unemployment Insurance to Support American Workers and Businesses.”

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our work within the public finance sector aims to advance tax and budget policies that promote both fiscal sustainability for the government — especially at the federal level — and economic opportunity, mobility, and security for Americans.

Unemployment insurance (UI) is a critical safety net program for American workers and an important economic stabilizer. A functioning UI system provides peace of mind for workers by giving unemployed people time to find a high-quality job and helping the economy recover more rapidly from recession by bolstering demand during a downturn.

Unfortunately, our antiquated UI system does a poor job at each of those functions, while at the same time suffering from staggering amounts of fraud and abuse. Only one in four unemployed workers receive UI benefits, and they often face delays and paperwork challenges in securing needed support. On top of those failures, the program has been plagued with improper payment rates typically over ten percent. These rates skyrocketed during the pandemic, when hundreds of billions of dollars were lost to fraud due to federal expansions lacking sufficient safeguards.
While lax pandemic-era verification standards for expanded unemployment programs are no longer in place, the underlying frailties of our UI infrastructure remain. State access portals are often outdated, benefits are difficult to secure and fail to meaningfully replace wages, and existing funding mechanisms direct dollars away from improving administration (compounding the first two issues).

At the same time, organized fraud efforts continue to pose a significant threat to the sustainability of state UI programs and to siphon away billions in individual benefits. These problems are exacerbated on the front end by poor data-matching standards and on the back end by insufficient incentives for states to engage in fraud recovery efforts.

To help identify the most promising avenues for improvement, Arnold Ventures funds high quality research into improper payments, fraud, and benefit access in UI. We are expanding our work to examine new approaches to identity verification to improve fraud resilience; potential changes to federal funding mechanisms and the experience rating system; how to improve data tracking, sharing, and cross matching; and the impact of incentives for states to identify and recover fraudulent UI payments.

As our UI system approaches its 90th anniversary, the time has come to modernize this important piece of America’s safety net. It is crucial that we focus on fixing these issues during this period of relative economic stability so that when the next crisis hits, our UI systems are primed to process a surge in applications without giving away hundreds of billions more in fraudulent and improper payments or creating enormous backlogs of claims.

The Subcommittee has already begun that work with its advancement of Chairman Jason Smith’s H.R. 1163, the “Protecting Taxpayers and Victims of Unemployment Fraud Act.” This legislation would give states stronger incentives to identify and recoup fraudulent UI dollars. We commend this body’s work to move that bill forward and secure its passage in the House, and we look forward to the Senate following your lead in the coming months.

We applaud the Committee’s ongoing efforts to improve the administration of the unemployment insurance program. We offer ourselves as a resource in your work to shore up this critical safety net program.

Sincerely,

Andrew Moylan
Vice President of Public Finance
Arnold Ventures
Anna Tyger
Public Finance Manager
Arnold Ventures


iii Unemployment Insurance Data Summary, U.S. Department of Labor, Q1 2024.


viii Will Raderman, “Getting the job done on unemployment insurance: How Congress can reinforce program administration and integrity with finance reform,” Niskanen Center, April 30, 2024.

ix Ibid.

