



Unemployment Insurance (UI) Administrative Funding and Costs: A Literature Review

SUMMARY

In 2023, the Chief Evaluation Office (CEO) partnered with the [Employment and Training Administration](#) and funded contractor Abt Global and Needels Consulting to conduct the *Unemployment Insurance (UI) Administrative Costs Study* as part of the *Reemployment Services and Eligibility Assessment (RESEA) Program Evidence Building Portfolio Project*. This study aims to understand how states' costs for administering their UI program change over time, how costs vary by state and across varying economic conditions, and how state workforce agencies operate their UI programs within funding constraints.

[Unemployment Insurance](#) is a joint state-federal program that provides temporary financial assistance to eligible workers who are unemployed through no fault of their own. Each state administers a separate UI program, following guidelines established by federal law. The federal government provides funding to states for UI program administration, while states ensure that UI-related taxes are collected from employers to fund both the UI benefits paid to eligible claimants and UI program administration. UI program administrative costs include, for example, salaries and fringe benefits paid to personnel who work for UI programs and non-personnel costs, such as capital and information technology (IT) costs to serve both claimants and employers. Through its appropriations process, Congress determines how much funding is available in total to be provided to state agencies for UI program administration.

This report summarizes findings from the literature on UI administrative funding and costs, including information about 1) the sources for and methods of distributing UI administrative funding, (2) patterns in UI administrative funding and costs, (3) implications of inadequate UI administrative funding, and (4) recommendations in the literature. This literature review and other study activities will provide answers to questions about how administrative funding levels have changed over time, how UI administrative funding compares with states' actual costs, and whether there are characteristics of states that are related to gaps between administrative funding and costs.

KEY TAKEAWAYS

- **States receive UI administrative funds through four main avenues:** (1) annual congressional appropriations; (2) federally administered one-time supplemental funds; (3) occasional distributions, called Reed Act distributions, from the federally managed UI trust fund accounts to states; and (4) state-level supplemental funds.
- Between fiscal years 2002 and 2022, federal UI administrative funding allocated to states ranged from **\$2.41 to \$4.64 billion dollars per year**; these statistics do not include federal funds provided to states through infrequent mechanisms such



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as one-time supplemental funds or Reed Act distributions. States' combined annual UI administrative costs ranged from **\$2.68 to \$4.43 billion per year**. Across this period, **annual administrative funding was less than annual administrative costs for 15 of the 21 years** and greater than annual administrative costs for six years. The six years during which funding exceeded costs included the five years from 2009 through 2013 (around the Great Recession and its aftermath) and 2020, which was the beginning of the pandemic era.

- Across the literature, **authors perceive that funding for UI administration is not adequate for UI program administration**. Specifically, authors noted that: (1) congressional appropriations for UI administration have been less than forecasts of states' costs; (2) Congress has been appropriating a declining percentage of revenues that are raised for UI program administration; (3) less than 10 percent of UI program administrators reported in a survey that they perceive that administrative funding is adequate; and (4) the inflation-adjusted decline in administrative funding in recent years has been about 27 percent.
- The literature did not focus extensively on the merits or drawbacks of how congressionally appropriated funding for UI administration is allocated across states.
- Authors pointed to inadequate UI administrative funding as a **possible source of challenges** with UI program quality, efficiency, and integrity.
- Authors of the literature that the study team reviewed provided a **broad set of diverse ideas for how to strengthen UI administrative funding**. The review includes a list of eight categories of recommendations cited in the literature; some are interrelated and most have implications for other aspects of the UI system in addition to its administrative financing.
- The literature review highlighted **several areas with open questions for further study**, including (1) strategies for operating UI programs within funding constraints and given fluctuations over time in funding and workloads, (2) the distribution of administrative funds across states, and (3) a need for a better understanding of how federal funding of UI administration is related to UI program performance.

[SEE FULL STUDY](#)



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