Unemployment Insurance Improper Payment Basics, Including Latest Policy Developments

The Unemployment Insurance (UI) program improper payment rate is any claims payment that should not have been made, or in an incorrect amount, including any payment to an ineligible claimant, and consists of all overpayments minus underpayments across states. improper payment is not synonymous with fraud but includes it.

On June 17, Acting Secretary of Labor Keith Sonderling issued formal letters to the governors of all states and territories demanding immediate action to combat fraud, waste and abuse in the UI program. The DOL announced in the letters that it intends to crack down on fraud and end mismanagement, improper payments, and "corruption" (presumably meaning fraud) within the program. **The department further signaled its intention to use available enforcement tools, including, for the first time, withholding administrative funds from states to ensure compliance.**

On June 29, the House passed the Recover COVID Unemployment Fraud in Banks Act (H.R. 8873), a bipartisan bill led by Reps. Tom Suozzi (D-NY) and Beth Van Duyne (R-TX), unanimously by a voice vote, which extends to 10 years the statute of limitations for federal criminal charges or civil enforcement actions for fraud-related improper payment in several UI programs established to respond to unemployment caused by the COVID-19 pandemic. The bill also creates a federal task force, led by a National Recovery Coordinator, to help states locate fraudulent payments and develop strategies to recover stolen money.

Recent Data

The most recent data for UI payment accuracy from the Department of Labor (DOL) is for Calendar Year (CY) 2025. The improper payment rate is calculated by dividing the total estimated dollar amount of overpayments and underpayments by the total dollar amount of UI claims paid. The data is derived from the Benefit Accuracy Measurement (BAM) program, a quality-control statistical survey used to identify errors including improper payment percentages, dollar amounts and root causes[1]. The DOL requires states to participate in the BAM program. **States that fail to maintain an improper payment rate under 10% risk increased federal scrutiny resulting in corrective action plans or withholding of administrative funding.**

[1] Department of Labor Employment Training Administration , "Unemployment Insurance Payment Accuracy Datasets", accessed July 29, 2026, https://www.dol.gov/agencies/eta/unemployment-insurance-payment-accuracy/data

Some criticize the design of the BAM, including a recent Bipartisan Policy Center report[2] that highlighted that the BAM program suffers from varying state rules and definitions that make direct comparisons of error rates between states difficult.

Improper Payment Rate: Almost Half of States and Territories Exceed 10% Threshold

For CY 25, the average improper payment rate across all states and territories was 11.35%, which equals $4.28 billion, a decrease of 1.7% from CY 24. The national average improper payment rate exceeds the threshold of 10% with almost half of all states and territories (25) exceeding the 10% improper payment rate threshold. However, 32 states and territories have improved their rate since CY 24. The states with the highest improper payment rates in CY 25 were Kentucky (35.12%), Rhode Island (27.41%) and New York (22.8%), all of which improved their rate from CY 24. Rhode Island improved its rate by 18.02%, the highest improvement of any state from CY 24, followed by Tennessee (-16.76%) and New Jersey (-11.68%). The states with the largest increase in improper payment rate were Ohio (+8.45%), Georgia (+6.53%) and Oklahoma (+5.87%).

Unemployment Insurance Improper Payment Rate			
State	**CY 25 Rate**	**CY 24 Rate**	**Change from CY 24 to CY 25**
AK	6.92%	8.30%	-1.39%
AL	6.77%	7.35%	-0.58%
AR	12.66%	18.67%	-6.01%
AZ	8.59%	6.07%	2.52%
CA	8.83%	11.96%	-3.13%
CO	7.36%	6.33%	1.02%
CT	11.10%	18.84%	-7.74%
DC	9.63%	12.47%	-2.84%
DE	17.25%	23.13%	-5.88%
FL	11.03%	17.11%	-6.08%
GA	16.03%	9.50%	6.53%
HI	8.41%	3.01%	5.40%
IA	5.38%	10.27%	-4.89%
ID	8.28%	7.94%	0.34%
IL	14.45%	11.49%	2.97%
IN	6.86%	6.24%	0.62%

[2] Malde and Till (2026, August 11) Unemployment Insurance Improper Payments: The Federal Role, Bipartisan Policy Center, https://bipartisanpolicy.org/report/unemployment-insurance-improper-payments-the-federal-role/

KS	19.89%	16.46%	3.43%
KY	35.12%	38.52%	-3.40%
LA	9.59%	10.33%	-0.74%
MA	14.04%	18.80%	-4.76%
MD	3.55%	10.22%	-6.66%
ME	6.39%	6.95%	-0.56%
MI	19.57%	18.55%	1.02%
MN	8.20%	7.90%	0.30%
MO	6.27%	7.16%	-0.89%
MS	7.93%	7.31%	0.62%
MT	7.71%	5.58%	2.14%
NC	13.02%	18.48%	-5.46%
ND	6.50%	6.94%	-0.44%
NE	9.23%	11.72%	-2.49%
NH	15.35%	9.80%	5.55%
NJ	9.23%	20.91%	-11.68%
NM	10.31%	11.26%	-0.95%
NV	10.30%	15.97%	-5.66%
NY	22.80%	30.79%	-7.99%
OH	21.18%	12.73%	8.45%
OK	14.10%	8.23%	5.87%
OR	4.27%	7.03%	-2.76%
PA	10.07%	9.27%	0.81%
PR	3.15%	3.23%	-0.08%
RI	27.41%	45.43%	-18.02%
SC	4.15%	5.84%	-1.69%
SD	11.02%	12.03%	-1.02%
TN	12.56%	29.32%	-16.76%
TX	5.98%	7.37%	-1.39%
UT	6.46%	4.23%	2.22%
VA	11.76%	18.12%	-6.36%
VT	7.18%	8.47%	-1.29%
WA	6.76%	9.99%	-3.23%
WI	19.40%	23.55%	-4.15%
WV	17.91%	12.72%	5.19%
WY	12.14%	8.92%	3.22%
National	**11.35%**	**13.05%**	**-1.70%**

Overpayment is more common than underpayment, as only one state (Illinois) had an underpayment rate over 1% in CY 25. The average underpayment rate in CY 25 was .24% across all states and territories, a .06% decrease from CY 24. The national overpayment rate in CY 25 was 11.11%, a decrease of 1.64% from the previous year. More than 30 states reduced their underpayment rate from CY 24.

Improper Payment Dollar Amount

The total dollar amount of improper payments made in CY 25 was $4.28 billion, a decrease of about $663 million from the previous year. About half of all states and territories decreased the amount of improper payments made from CY 24 to CY 25. The largest decreases were in New Jersey (-$329.9 million), California (-$200.9 million) and New York (-$180.8 million). The states with the largest increases in improper payment made were Ohio (+$104.1 million), Illinois (+$71.2 million) and Michigan (+$46.9 million).

Unemployment Insurance Improper Payment Amount			
State	**CY 25**	**CY 24**	**Change from CY 24 to CY 25**
AK	$4,021,556	$4,934,084	($912,528)
AL	$4,393,823	$5,324,499	($930,676)
AR	$7,769,850	$11,965,682	($4,195,832)
AZ	$27,598,145	$17,954,735	$9,643,410
CA	$576,218,215	$776,916,976	($200,698,761)
CO	$60,317,902	$39,911,755	$20,406,147
CT	$71,521,202	$118,602,763	($47,081,561)
DC	$20,310,821	$13,743,826	$6,566,995
DE	$9,120,143	$14,294,549	($5,174,406)
FL	$30,738,195	$49,924,524	($19,186,329)
GA	$56,036,666	$32,138,563	$23,898,103
HI	$14,438,032	$5,261,434	$9,176,598
IA	$17,413,672	$32,342,573	($14,928,901)
ID	$11,165,843	$9,721,494	$1,444,349
IL	$320,054,473	$248,769,558	$71,284,915
IN	$18,716,941	$16,480,747	$2,236,194
KS	$23,648,655	$23,690,495	($41,840)
KY	$68,433,453	$47,578,217	$20,855,236
LA	$8,388,148	$11,243,567	($2,855,419)
MA	$329,279,330	$386,001,579	($56,722,249)
MD	$16,695,388	$39,033,445	($22,338,057)
ME	$9,399,213	$8,699,320	$699,893

MI	$193,154,774	$146,167,763	$46,987,011
MN	$112,675,885	$102,410,363	$10,265,522
MO	$15,170,920	$16,002,006	($831,086)
MS	$4,614,990	$4,082,206	$532,784
MT	$10,692,601	$6,096,381	$4,596,220
NC	$20,207,973	$36,111,762	($15,903,789)
ND	$6,790,866	$6,037,001	$753,865
NE	$10,245,827	$11,210,289	($964,462)
NH	$7,141,736	$4,212,328	$2,929,408
NJ	$250,136,829	$580,046,995	($329,910,166)
NM	$21,156,215	$20,933,991	$222,224
NV	$53,273,335	$77,222,675	($23,949,340)
NY	$750,990,655	$931,842,323	($180,851,668)
OH	$212,880,054	$108,691,834	$104,188,220
OK	$28,161,123	$13,823,565	$14,337,558
OR	$74,124,438	$55,535,874	$18,588,564
PA	$206,107,625	$182,520,926	$23,586,699
PR	$2,812,658	$4,871,106	($2,058,448)
RI	$64,528,489	$93,664,597	($29,136,108)
SC	$7,182,856	$9,266,907	($2,084,051)
SD	$4,062,078	$3,986,128	$75,950
TN	$22,235,756	$54,241,913	($32,006,157)
TX	$192,426,727	$210,400,828	($17,974,101)
UT	$20,840,268	$12,044,127	$8,796,141
VA	$39,881,711	$50,970,577	($11,088,866)
VT	$5,343,384	$5,404,913	($61,529)
WA	$135,673,966	$168,956,968	($33,283,002)
WI	$66,405,409	$86,292,681	($19,887,272)
WV	$28,525,547	$21,248,730	$7,276,817
WY	$7,238,624	$4,520,809	$2,717,815
National Average	**$4,021,556**	**$4,934,084**	**($912,528)**
Total	**$4,280,362,985**	**$4,943,352,951**	**($662,989,966)**

Fraud Rate

Fraud in the UI program is a small percentage of improper payment in all states, with the average rate in CY 25 of 2.41%, a decrease of .5% from the previous year. Fraud accounted for about $103.2 million (0.02%) of the improper payment total for CY 25. New York was the only state with a fraud rate above 7% (15.4%), while having decreased its fraud rate by

8.21% from CY 24. Rhode Island and Arizona were the next in line with 6.36% and 6.35%, respectively. More than half of all states were able to improve their fraud rate since CY 24; however almost all increases and decreases in state fraud rates were small, with the exception of New York.

Unemployment Insurance Fraud Rate			
State	**CY 25 Rate**	**CY 24 Rate**	**Change from CY 24 to CY 25**
AK	2.24%	3.83%	-1.58%
AL	2.91%	1.73%	1.18%
AR	1.57%	1.72%	-0.15%
AZ	6.35%	5.17%	1.18%
CA	5.69%	7.90%	-2.21%
CO	0.41%	0.54%	-0.13%
CT	1.67%	2.08%	-0.41%
DC	1.11%	2.24%	-1.13%
DE	0.00%	3.09%	-3.09%
FL	0.64%	0.71%	-0.07%
GA	2.40%	1.71%	0.69%
HI	1.64%	1.09%	0.55%
IA	0.27%	0.54%	-0.27%
ID	2.85%	3.05%	-0.20%
IL	3.45%	2.60%	0.85%
IN	1.70%	0.51%	1.19%
KS	1.16%	1.35%	-0.20%
KY	2.01%	1.87%	0.14%
LA	5.04%	5.24%	-0.20%
MA	4.61%	6.93%	-2.32%
MD	1.00%	2.88%	-1.87%
ME	0.06%	1.72%	-1.66%
MI	3.57%	2.71%	0.87%
MN	1.62%	1.85%	-0.23%
MO	1.10%	1.75%	-0.65%
MS	4.71%	4.74%	-0.03%
MT	2.03%	2.23%	-0.20%
NC	1.34%	0.97%	0.38%
ND	0.87%	1.59%	-0.72%
NE	2.02%	1.01%	1.02%

NH	1.40%	0.46%	0.94%
NJ	1.26%	2.03%	-0.78%
NM	2.54%	3.74%	-1.20%
NV	1.54%	5.19%	-3.65%
NY	15.40%	23.61%	-8.21%
OH	1.72%	1.75%	-0.03%
OK	0.60%	1.55%	-0.95%
OR	2.28%	4.26%	-1.97%
PA	4.55%	4.55%	0.00%
PR	0.30%	2.75%	-2.45%
RI	6.36%	4.68%	1.68%
SC	1.11%	0.42%	0.69%
SD	2.36%	3.65%	-1.28%
TN	2.73%	6.22%	-3.49%
TX	1.55%	0.55%	1.00%
UT	1.90%	1.02%	0.88%
VA	2.33%	0.80%	1.53%
VT	0.77%	2.16%	-1.39%
WA	1.90%	1.66%	0.24%
WI	2.46%	2.43%	0.03%
WV	0.92%	0.86%	0.06%
WY	3.08%	1.20%	1.87%
National	**2.41%**	**2.90%**	**-0.50%**