

Cost-Benefit Analysis of Expanding Benefit Payment Control Activities

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Introduction and Basis for Analysis

In 2004, the Employment and Training Administration's (ETA) Office of Unemployment Insurance (OUI) used information from a newly launched report to estimate the return on investment for state Benefit Payment Control (BPC) operations^[1]. The data came from the Resource Justification Model (RJM) which collects information from state workforce agencies on the cost of administering the Unemployment Insurance (UI) program. Since 2002, the analysis was used internally as a basis to estimate the impact of numerous legislative proposals supporting an increase in funding for state BPC operations, in addition to assorted other use cases.

During discussions between ETA and congressional staff in 2023, a question arose regarding the basis for estimated savings from certain provisions in the Department of Labor's (Department) UI integrity legislative proposal included in the President's budget. Given the age of the original analysis, ETA agreed that an update was warranted to ensure the validity of previous estimates. In addition, report language accompanying the Consolidated Appropriations Act for Fiscal Year (FY) 2024 directed the Department to publicly release an updated report estimating the return on investment and cost-effectiveness of existing state-level benefit payment control operations for the UI program. As a result, OUI produced this report by replicating the original 2004 analysis, based on FY 2001 data, and then updating it using more recent data.

While this analysis was developed in FY 2024, data from FY 2019 was used in recognition of the historic and ongoing impacts of the COVID-19 pandemic on the UI system. Beginning in March of 2020, state UI programs were inundated with extreme levels of claims activity while outdated and understaffed state systems tried to keep up, all while implementing a range of new and temporary Federal unemployment compensation programs. As a result of the high claims volumes and expansion of available benefits under these Federal programs, the UI system became a target of extensive fraudulent activity. In the months and years following the expiration of these programs, states continue to address their impacts and the high levels of fraud impacting the system.

OUI determined that overpayment detection and recovery activities impacted the pandemic should be considered outliers relative to historic activity levels and should therefore not be used as the basis for this analysis. In FY 2019 by contrast, the UI system and the U.S. economy were operating in a relatively stable environment with low levels of claims and unemployment. In the coming years, OUI expects to continue to review and update this analysis to better understand and capture the impacts of post-pandemic changes in state BPC operations and overpayment

detection and recovery activities, particularly in light of the enhanced identity verification procedures that states have recently implemented.

The Basis for BPC Activity

In the Federal-State UI system, states generally rely on claimant self-disclosures and timely employer responses to determine week-to-week eligibility for benefits. As a result, state BPC efforts are essential to detecting, establishing, and recovering inevitable overpayments in the UI system.

Expanding BPC operations should increase this establishment and recovery activity, but at a commensurate cost in staff time. To estimate the cost-effectiveness of expanding these operations, OUI updated the analysis previously based on data from FY 2001 by using data from FY 2019 (see explanation above about the timeframe for data used in this analysis). To ensure consistency with the previous analysis, the methodology of the FY 2001 report was closely followed. OUI analysts first confirmed the estimation process by using FY 2001 data and matching results to the prior analysis before substituting figures from FY 2019 for an updated cost-benefit figure.

In FY 2019, the UI Benefits Accuracy Measurement (BAM) process estimated that roughly 6.4% (\$1.69 billion) of all UI outlays were reasonably recoverable fraud and nonfraud overpayments¹. This measure of overpayments was used because it primarily includes issues where states' BPC efforts are most effective. This excludes overpayment activity as a result of more difficult to prevent and detect issues such as failure to meet work search requirements. Approximately 55% (\$929.6 million) of the BAM total estimate was established by states as overpayments through BPC activities, and 40.1% (\$677.6 million) was recovered. Total recoveries amount to approximately 2.6% of all UI payments nationally.

Basic State Data for FY 2019

Initial state data for FY 2019 is shown in Table 1, including BAM overpayment estimates^[2], establishments and recovery data from the Overpayment Detection and Recovery Activities (ETA 227) report^[3], and BPC staffing cost data from the Resource Justification Model (RJM)^[4]. The BAM overpayment figures are estimates of the amount overpaid that states can reasonably be expected to establish and then recover through BPC operations. Using the estimated BAM overpayments as a percentage of total payments was proposed in the previous analysis as an accuracy measure for Government Performance and Results Act (GPRA) purposes. This overpayment rate provides a comparable figure across states for overpayment values that vary significantly in absolute terms. Final reported data from RJM and the ETA 227 report are compared to BAM estimates with a six-month lag to reflect the typical time required for BPC to detect and address payment issues through wage-benefits crossmatch and appeals reversals. The use of these periods is consistent with the methodology used in support of the Department's annual GPRA measures.

¹ This rate is referred to as the Overpayment Rate in Table 1 and is also known as operational rate. This rate is defined as the percent of fraud and nonfraud overpayments that states are reasonably expected to detect and establish for recovery (excluding work search, employment service registration, base period wage issues, and miscellaneous causes, such as benefits paid during a period of disqualification, redeterminations, and back pay awards), divided by total benefit outlays.

Table 1. FY 2019 UI Payments, BAM Overpayments, and BPC Data								
State*	BAM Payments and Overpayments 4/1/18-3/31/19			BPC Activity and Cost Data, FY 2019				
	UI Benefits Paid ^[2]	Overpayment Rate	GPRA Overpayments Paid ^[2]	Overpayments Established ^[3]	Overpayments Recovered ^[3]	BPC Staff Years ^[4]	Cost per Staff Year ^[4]	BPC Cost
AK	\$88,513,892	3.82%	\$3,384,407	\$3,313,416	\$2,685,725	18.76	\$107,611	\$2,018,783
AL	\$149,085,771	4.25%	\$6,338,152	\$6,515,465	\$5,176,589	17.50	\$74,185	\$1,298,246
AR	\$97,442,054	9.27%	\$9,033,598	\$4,744,366	\$5,135,568	20.70	\$52,234	\$1,081,238
AZ	\$203,029,801	8.90%	\$18,063,400	\$9,950,744	\$16,351,330	56.39	\$59,888	\$3,377,084
CA	\$5,000,806,176	7.39%	\$369,346,735	\$152,944,041	\$85,857,457	269.06	\$150,589	\$40,517,561
CO	\$374,758,198	6.59%	\$24,705,481	\$14,939,564	\$8,710,161	67.48	\$76,270	\$5,146,713
CT	\$577,150,884	2.69%	\$15,537,661	\$11,569,298	\$7,108,274	11.62	\$132,367	\$1,538,102
DC	\$125,863,105	7.10%	\$8,933,295	\$6,295,857	\$8,055,442	15.72	\$69,898	\$1,098,789
DE	\$60,875,911	3.10%	\$1,887,739	\$1,685,854	\$1,584,404	10.54	\$52,363	\$551,906
FL	\$321,651,629	8.59%	\$27,618,946	\$13,713,786	\$13,767,600	168.86	\$40,433	\$6,827,439
GA	\$300,437,311	2.41%	\$7,233,046	\$13,119,286	\$8,700,994	25.32	\$56,085	\$1,420,081
HI	\$158,001,892	3.64%	\$5,756,662	\$1,911,833	\$1,158,856	7.12	\$107,210	\$763,335
IA	\$368,273,053	7.59%	\$27,962,808	\$11,628,078	\$4,089,188	11.32	\$81,361	\$921,008
ID	\$82,986,430	4.35%	\$3,610,462	\$4,101,388	\$4,211,598	10.51	\$64,217	\$674,922
IL	\$1,586,002,413	8.49%	\$134,688,317	\$57,198,776	\$27,007,413	41.02	\$116,411	\$4,775,170
IN	\$230,584,082	2.90%	\$6,681,407	\$12,538,995	\$14,056,415	49.02	\$59,119	\$2,898,005
KS	\$137,367,191	5.34%	\$7,342,113	\$6,957,670	\$7,585,251	18.29	\$57,127	\$1,044,857
KY	\$283,910,307	5.04%	\$14,303,964	\$14,348,743	\$8,284,728	27.99	\$79,862	\$2,235,329
LA	\$130,872,830	7.20%	\$9,424,277	\$8,667,638	\$6,400,944	22.79	\$77,304	\$1,761,759
MA	\$1,459,027,602	8.01%	\$116,838,036	\$28,901,214	\$16,244,024	60.65	\$90,615	\$5,495,794
MD	\$438,957,187	8.68%	\$38,092,834	\$18,217,011	\$16,753,138	40.23	\$80,581	\$3,241,791
ME	\$78,845,508	5.02%	\$3,958,976	\$2,926,771	\$2,496,755	18.33	\$76,139	\$1,395,620
MI	\$638,364,480	7.56%	\$48,289,595	\$29,687,061	\$21,112,497	41.03	\$100,863	\$4,138,420
MN	\$772,411,866	5.41%	\$41,783,198	\$26,250,898	\$21,747,038	18.20	\$81,773	\$1,488,260
MO	\$226,275,675	8.22%	\$18,604,739	\$12,731,959	\$10,746,647	35.51	\$58,014	\$2,060,069
MS	\$59,955,906	5.82%	\$3,487,758	\$4,986,842	\$6,255,956	22.13	\$50,699	\$1,121,961
MT	\$102,567,455	5.10%	\$5,232,541	\$3,226,011	\$2,500,606	8.90	\$63,860	\$568,354
NC	\$124,099,670	8.57%	\$10,629,793	\$6,104,307	\$6,852,411	40.49	\$67,699	\$2,741,143
ND	\$79,560,476	4.34%	\$3,456,510	\$2,672,182	\$2,404,377	3.33	\$73,814	\$245,799
NE	\$63,826,095	4.68%	\$2,986,838	\$2,109,027	\$2,043,628	15.15	\$54,540	\$826,275
NH	\$41,213,262	3.06%	\$1,261,244	\$1,004,267	\$1,318,197	8.25	\$91,639	\$756,025
NJ	\$1,873,614,796	5.81%	\$108,934,653	\$52,392,487	\$57,095,657	122.97	\$97,311	\$11,966,352
NM	\$132,242,923	3.63%	\$4,798,060	\$5,151,808	\$4,774,863	17.58	\$69,116	\$1,215,060
NV	\$261,728,316	9.89%	\$25,883,694	\$9,888,915	\$7,077,007	22.17	\$77,690	\$1,722,391
NY	\$2,063,537,864	7.00%	\$144,483,497	\$59,964,267	\$43,801,631	138.57	\$104,544	\$14,486,685
OH	\$802,340,511	2.70%	\$21,624,092	\$26,962,993	\$19,552,075	64.52	\$97,769	\$6,308,029
OK	\$207,523,136	4.07%	\$8,453,389	\$7,054,360	\$6,126,621	26.81	\$71,379	\$1,913,677
OR	\$467,809,120	6.41%	\$30,004,969	\$11,100,674	\$10,927,474	42.09	\$93,045	\$3,916,266
PA	\$1,771,170,021	7.98%	\$141,252,184	\$61,714,281	\$37,000,041	130.19	\$91,375	\$11,896,062
RI	\$145,017,358	8.39%	\$12,169,381	\$4,556,251	\$3,892,977	16.91	\$93,700	\$1,584,468
SC	\$144,560,295	10.16%	\$14,681,908	\$6,530,959	\$6,217,098	19.26	\$58,140	\$1,119,780
SD	\$26,354,478	2.42%	\$638,852	\$830,899	\$735,643	9.86	\$62,088	\$612,192
TN	\$181,541,251	9.76%	\$17,718,987	\$13,593,013	\$5,518,871	46.23	\$55,171	\$2,550,564
TX	\$1,918,868,843	3.67%	\$70,339,214	\$82,909,262	\$62,714,762	116.28	\$60,066	\$6,984,449
UT	\$143,976,256	2.07%	\$2,976,875	\$4,098,535	\$3,427,185	20.96	\$74,856	\$1,568,989
VA	\$285,316,526	7.27%	\$20,733,605	\$8,863,077	\$7,869,624	16.40	\$64,132	\$1,051,762
VT	\$63,341,402	2.58%	\$1,633,769	\$1,493,045	\$747,524	1.75	\$53,755	\$94,071
WA	\$886,207,341	5.43%	\$48,151,992	\$58,246,574	\$34,202,655	83.21	\$84,232	\$7,008,969
WI	\$382,770,816	2.29%	\$8,753,726	\$13,327,453	\$15,422,278	128.47	\$71,979	\$9,247,109
WV	\$144,359,045	4.22%	\$6,094,313	\$3,429,741	\$2,643,729	11.00	\$47,485	\$522,338
WY	\$46,386,306	5.77%	\$2,676,520	\$2,531,217	\$1,498,408	5.32	\$70,052	\$372,676
US	\$26,311,384,716	6.42%	\$1,688,478,212	\$929,602,159	\$677,649,334	2,222.76	\$85,557	\$190,171,725

* Exclude PR, VI

Note: State-level Overpayments Recovered that exceed Overpayments Established are generally due to differences in the timing of actions taken

Key Performance Ratios

Table 2 shows BPC performance and analytical ratios for FY 2019. These ratios are as follows:

Dollars Established per Staff Year. This is one of two primary productivity ratios. It is the ratio of BPC overpayments established to staff time for FY 2019. These ratios range from \$81,214 dollars established per staff year (Florida) to \$1,442,357 (Minnesota).

Dollars Established per BPC Dollar. This is a second major productivity ratio. This is the ratio of BPC overpayments established to the BPC staff cost in FY 2019. New Hampshire has the lowest ratio (\$1.33) and Minnesota has the highest (\$17.64). Twenty-five states have ratios of less than five, while six states are above ten.

Dollars Recovered per Staff Year. This is the ratio of BPC overpayments recovered to the number of staff years required to do so in FY 2019. On average, states recovered \$304,868 per staff year.

Dollars Recovered per BPC Dollar. This is the recoveries productivity ratio analogous to the dollars established per BPC dollar. Every state recovers more than it spends on BPC activities, ranging from \$1.20 recovered per dollar spent in South Dakota to \$14.16 recovered in Minnesota.

Establishment Penetration Rate. This is the ratio of BPC established dollars to the BAM estimate of total overpayments. A 2-year average is used because both numerator and denominator can fluctuate considerably (BAM due to sampling variability, and establishments due to a variety of factors). Theoretically the maximum ratio value is 1.0. However, there are eight states with ratios exceeding 1.0. These ratios are considered outliers and potentially result from factors such as timing and states establishing overpayments that are in categories not considered in the BAM baseline values of what is considered reasonable to establish and recover. Rates above 1.0 would suggest that states can reasonably establish more in overpayments than are actually overpaid as determined by BAM estimates. As a result, we excluded rates above 1.0 from this analysis.

Recovery Rate (Recovery to Establishments Ratio). This is the ratio of overpayments recovered to the adjusted value of overpayments established (established overpayments minus overpayments where the state has waived recovery). This rate can be greater than one due in part to the Treasury Offset Program (TOP) recovering overpayments from prior reporting periods, in addition to recoveries for the current reporting period. The U.S. average is 0.72. Individual state recovery rates range from 0.43 in Iowa to 1.72 in Arizona.

Recovery Penetration Rate. This is the recovery analogue to the Establishment Penetration Rate. It shows the rate of funds recovered as a proportion of GPRA estimated overpayments. These range from 0.15 for Massachusetts to 1.52 for Mississippi. The U.S. on average is 0.39. Values higher than 1 potentially stem from issues similar to those experienced with the Establishment Penetration Rate.

Table 2. FY 2019 BPC Performance Ratios							
State	\$ Established per Staff Year	\$ Established per BPC Cost	\$ Recovered per Staff Year	\$ Recovered per BPC Cost	Establishment Penetration Rate (FY 18-19) ^{[a][3]}	Recovery: Establishment Ratio (FY 18-19) ^{[b][3]}	Recovery Penetration Rate (FY 18-19) ^{[c][3]}
AK	\$176,621	\$1.64	\$143,162	\$1.33	1.00	1.01	1.01
AL	\$372,312	\$5.02	\$295,805	\$3.99	0.74	1.00	0.74
AR	\$229,196	\$4.39	\$248,095	\$4.75	0.55	1.17	0.64
AZ	\$176,463	\$2.95	\$289,969	\$4.84	0.50	1.72	0.86
CA	\$568,438	\$3.77	\$319,102	\$2.12	0.41	0.59	0.24
CO	\$221,392	\$2.90	\$129,078	\$1.69	0.60	0.64	0.38
CT	\$995,637	\$7.52	\$611,728	\$4.62	0.65	0.76	0.49
DC	\$400,500	\$5.73	\$512,433	\$7.33	0.65	1.01	0.66
DE	\$159,948	\$3.05	\$150,323	\$2.87	0.72	0.87	0.63
FL	\$81,214	\$2.01	\$81,533	\$2.02	0.46	0.84	0.39
GA	\$518,139	\$9.24	\$343,641	\$6.13	1.84	0.72	1.33
HI	\$268,516	\$2.50	\$162,761	\$1.52	0.34	0.66	0.22
IA	\$1,027,215	\$12.63	\$361,236	\$4.44	0.42	0.43	0.18
ID	\$390,237	\$6.08	\$400,723	\$6.24	0.94	0.95	0.90
IL	\$1,394,412	\$11.98	\$658,396	\$5.66	0.48	0.45	0.22
IN	\$255,793	\$4.33	\$286,749	\$4.85	1.03	0.99	1.02
KS	\$380,408	\$6.66	\$414,721	\$7.26	0.77	1.27	0.97
KY	\$512,638	\$6.42	\$295,989	\$3.71	0.99	0.58	0.57
LA	\$380,326	\$4.92	\$280,866	\$3.63	0.75	0.59	0.44
MA	\$476,525	\$5.26	\$267,832	\$2.96	0.26	0.58	0.15
MD	\$452,822	\$5.62	\$416,434	\$5.17	0.50	0.87	0.43
ME	\$159,671	\$2.10	\$136,211	\$1.79	0.71	0.96	0.69
MI	\$723,545	\$7.17	\$514,562	\$5.10	0.62	0.61	0.38
MN	\$1,442,357	\$17.64	\$1,194,892	\$14.61	0.61	0.80	0.48
MO	\$358,546	\$6.18	\$302,637	\$5.22	0.96	0.85	0.82
MS	\$225,343	\$4.44	\$282,691	\$5.58	1.41	1.08	1.52
MT	\$362,473	\$5.68	\$280,967	\$4.40	0.63	0.86	0.54
NC	\$150,761	\$2.23	\$169,237	\$2.50	0.52	1.05	0.55
ND	\$802,457	\$10.87	\$722,035	\$9.78	0.61	0.82	0.50
NE	\$139,210	\$2.55	\$134,893	\$2.47	0.54	1.06	0.57
NH	\$121,729	\$1.33	\$159,781	\$1.74	0.74	1.27	0.95
NJ	\$426,059	\$4.38	\$464,306	\$4.77	0.47	1.01	0.47
NM	\$293,049	\$4.24	\$271,608	\$3.93	0.96	0.98	0.94
NV	\$446,049	\$5.74	\$319,215	\$4.11	0.48	0.61	0.29
NY	\$432,736	\$4.14	\$316,098	\$3.02	0.39	0.77	0.30
OH	\$417,901	\$4.27	\$303,039	\$3.10	1.20	0.71	0.85
OK	\$263,124	\$3.69	\$228,520	\$3.20	0.91	0.70	0.63
OR	\$263,737	\$2.83	\$259,622	\$2.79	0.42	1.02	0.43
PA	\$474,032	\$5.19	\$284,200	\$3.11	0.41	0.57	0.24
RI	\$269,441	\$2.88	\$230,217	\$2.46	0.43	0.95	0.41
SC	\$339,094	\$5.83	\$322,798	\$5.55	0.42	0.88	0.37
SD	\$84,270	\$1.36	\$74,609	\$1.20	0.83	0.84	0.69
TN	\$294,030	\$5.33	\$119,379	\$2.16	0.61	0.45	0.28
TX	\$713,014	\$11.87	\$539,343	\$8.98	0.83	0.75	0.62
UT	\$195,541	\$2.61	\$163,511	\$2.18	1.29	0.87	1.12
VA	\$540,432	\$8.43	\$479,855	\$7.48	0.35	0.94	0.32
VT	\$853,169	\$15.87	\$427,157	\$7.95	0.74	0.71	0.53
WA	\$699,995	\$8.31	\$411,040	\$4.88	1.28	0.52	0.66
WI	\$103,740	\$1.44	\$120,046	\$1.67	1.21	1.22	1.48
WV	\$311,795	\$6.57	\$240,339	\$5.06	0.64	0.76	0.48
WY	\$475,793	\$6.79	\$281,656	\$4.02	1.01	0.64	0.65
US	\$418,220	\$4.89	\$304,868	\$3.56	0.54	0.72	0.39

(a) The ratio of actual established dollars to the BAM estimated overpayments paid (average 2 years).

(b) The ratio of overpayments recovered to overpayments established minus overpayments waived (average 2 years)

(c) The ratio of dollars recovered to the BAM estimated overpayments paid (average 2 years).

Costs and Benefits of Additional BPC Efforts

Recovering overpayments is a critical aspect of BPC activity. Ultimately this is a three-step process: (1) potential overpayments are detected; (2) an investigation is conducted and, where appropriate, potential overpayments are established as actual improper payments; and (3) the improper payments are to be recovered. This analysis does not examine the detection stage,² focusing instead on the establishment and recovery phases.

This analysis assumes that an increase in overpayments established will directly translate to an increase in dollars recovered. We also restrict the potential increase in state-level establishment penetration to recognize the effects from the law of diminishing returns at higher rates. To do this, we first exclude any state with a penetration rate above 80%. This is done with the idea that substantial increases in establishments will be difficult in an already effective program (*i.e.*, a state that is already establishing a high percentage of estimated overpayments). Next, we project that additional BPC funds will increase establishment by only half of the difference to the 80% upper-limit. Beyond this level of improvement, return on investment in BPC may fall off in a way that is difficult to model. These calculation values are drawn from the FY 2001 analysis.

The table below is based on these assumptions and contains the following values and steps:

- First, the states are sorted by their establishment penetration ratio from least to greatest.
- Second, states with a FY 2019 penetration ratio at or above 80% are excluded from future steps. This includes 8 states with penetration rates above 100% as well as 8 states with rates between 80% and 100%.
- Third, with the remaining states, we calculate what additional overpayments might be recovered with additional BPC investment. This calculation assumes additional recoveries is half of the difference to a maximum establishment penetration rate of 80%. For example, Arizona at 50% increases by 15 percentage points to 65% penetration, half of the difference to the 80% ceiling.
- This percentage increase in establishments is then multiplied by BAM total estimates of overpayments to get a dollar value for the increase in dollars of overpayments established.
- Staffing costs, as in recovery rates, are modeled as constant. This is similarly supported by the restrictions placed on both the upper limit on establishment improvements, as well as the rate of potential increase. Therefore, increases in staffing resources are calculated by dividing the estimated increase in establishments by the FY 2019 Dollars Established per Staff Year and then multiplying by the state-level Cost per Staff Year figure. This yields an estimate of what staffing costs are anticipated to produce the estimated increase in overpayment establishments.
- Next, multiplying the increase in establishments by the Recovery Rate produces an estimated amount of dollars recovered due to the increase in BPC activity.
- Finally, the values from these last two steps are combined to calculate the Benefit/Cost ratio for each state, as well as nationally.

² This analysis focuses specifically on BPC efforts in establishing and recovering overpayments. Detection can occur through multiple methods, many of which are independent of the BPC process and/or through data crossmatches.

Table 3. FY 2019 Benefit Cost Ratio												
State	GPRA Overpayments Paid (FY 19)	Overpayments Establishment Data					BPC Information			Recoveries		
		Establishment Penetration Rate (FY 18- 19)	Establishment Penetration Increase	New Establishment Penetration Rate	\$ Increase Overpayments Established	\$ Established per Staff Year (FY 19)	Increase Staff Year	Cost per Staff Year (FY 19)	\$ Increase BPC Cost	Recovery: Establishment Ratio (FY 18- 19)	\$ Increase Overpayments Recovered	Benefit: Cost Ratio
MA	\$116,838,036	0.26	0.27	0.53	\$31,373,265	\$476,525	65.84	\$90,615	\$5,965,874	0.58	\$18,277,370	\$3
HI	\$5,756,662	0.34	0.23	0.57	\$1,337,252	\$268,516	4.98	\$107,210	\$533,923	0.66	\$886,391	\$2
VA	\$20,733,605	0.35	0.23	0.57	\$4,710,153	\$540,432	8.72	\$64,132	\$558,943	0.94	\$4,420,984	\$8
NY	\$144,483,497	0.39	0.21	0.59	\$29,979,432	\$432,736	69.28	\$104,544	\$7,242,690	0.77	\$23,189,712	\$3
CA	\$369,346,735	0.41	0.20	0.60	\$72,407,868	\$568,438	127.38	\$150,589	\$19,182,115	0.59	\$42,732,710	\$2
PA	\$141,252,184	0.41	0.19	0.61	\$27,239,566	\$474,032	57.46	\$91,375	\$5,250,706	0.57	\$15,607,114	\$3
IA	\$27,962,808	0.42	0.19	0.61	\$5,368,421	\$1,027,215	5.23	\$81,361	\$425,208	0.43	\$2,306,586	\$5
SC	\$14,681,908	0.42	0.19	0.61	\$2,798,511	\$339,094	8.25	\$58,140	\$479,825	0.88	\$2,463,707	\$5
OR	\$30,004,969	0.42	0.19	0.61	\$5,675,889	\$263,737	21.52	\$93,045	\$2,002,427	1.02	\$5,797,709	\$3
RI	\$12,169,381	0.43	0.18	0.62	\$2,225,762	\$269,441	8.26	\$93,700	\$774,024	0.95	\$2,111,969	\$3
FL	\$27,618,946	0.46	0.17	0.63	\$4,643,475	\$81,214	57.18	\$40,433	\$2,311,764	0.84	\$3,886,009	\$2
NJ	\$108,934,653	0.47	0.17	0.63	\$18,116,543	\$426,059	42.52	\$97,311	\$4,137,787	1.01	\$18,272,992	\$4
IL	\$134,688,317	0.48	0.16	0.64	\$21,636,125	\$1,394,412	15.52	\$116,411	\$1,806,266	0.45	\$9,810,930	\$5
NV	\$25,883,694	0.48	0.16	0.64	\$4,152,060	\$446,049	9.31	\$77,690	\$723,181	0.61	\$2,532,663	\$4
MD	\$38,092,834	0.50	0.15	0.65	\$5,695,270	\$452,822	12.58	\$80,581	\$1,013,497	0.87	\$4,943,353	\$5
AZ	\$18,063,400	0.50	0.15	0.65	\$2,694,625	\$176,463	15.27	\$59,888	\$914,502	1.72	\$4,621,621	\$5
NC	\$10,629,793	0.52	0.14	0.66	\$1,478,520	\$150,761	9.81	\$67,699	\$663,931	1.05	\$1,548,823	\$2
NE	\$2,986,838	0.54	0.13	0.67	\$389,163	\$139,210	2.80	\$54,540	\$152,466	1.06	\$412,764	\$3
AR	\$9,033,598	0.55	0.13	0.67	\$1,151,059	\$229,196	5.02	\$52,234	\$262,326	1.17	\$1,343,138	\$5
CO	\$24,705,481	0.60	0.10	0.70	\$2,518,344	\$221,392	11.38	\$76,270	\$867,575	0.64	\$1,601,985	\$2
MN	\$41,783,198	0.61	0.10	0.70	\$4,022,045	\$1,442,357	2.79	\$81,773	\$228,024	0.80	\$3,205,171	\$14
ND	\$3,456,510	0.61	0.10	0.70	\$330,036	\$802,457	0.41	\$73,814	\$30,358	0.82	\$269,794	\$9
TN	\$17,718,987	0.61	0.09	0.71	\$1,644,243	\$294,030	5.59	\$55,171	\$308,522	0.45	\$738,114	\$2
MI	\$48,289,595	0.62	0.09	0.71	\$4,226,948	\$723,545	5.84	\$100,863	\$589,243	0.61	\$2,561,650	\$4
MT	\$5,232,541	0.63	0.09	0.71	\$449,175	\$362,473	1.24	\$63,860	\$79,135	0.86	\$387,467	\$5
WV	\$6,094,313	0.64	0.08	0.72	\$495,567	\$311,795	1.59	\$47,485	\$75,473	0.76	\$374,570	\$5
CT	\$15,537,661	0.65	0.08	0.72	\$1,191,704	\$995,637	1.20	\$132,367	\$158,433	0.76	\$904,392	\$6
DC	\$8,933,295	0.65	0.07	0.73	\$654,989	\$400,500	1.64	\$69,898	\$114,312	1.01	\$664,318	\$6
ME	\$3,958,976	0.71	0.04	0.76	\$172,995	\$159,671	1.08	\$76,139	\$82,492	0.96	\$166,465	\$2
DE	\$1,887,739	0.72	0.04	0.76	\$77,551	\$159,948	0.48	\$52,363	\$25,388	0.87	\$67,659	\$3
VT	\$1,633,769	0.74	0.03	0.77	\$47,019	\$853,169	0.06	\$53,755	\$2,962	0.71	\$33,608	\$11
AL	\$6,338,152	0.74	0.03	0.77	\$179,908	\$372,312	0.48	\$74,185	\$35,848	1.00	\$179,031	\$5
NH	\$1,261,244	0.74	0.03	0.77	\$35,019	\$121,729	0.29	\$91,639	\$26,363	1.27	\$44,559	\$2
LA	\$9,424,277	0.75	0.02	0.78	\$222,674	\$380,326	0.59	\$77,304	\$45,260	0.59	\$131,242	\$3
KS	\$7,342,113	0.77	0.02	0.78	\$115,718	\$380,408	0.30	\$57,127	\$17,378	1.27	\$146,723	\$8
SD	\$638,852	0.83										
TX	\$70,339,214	0.83										
OK	\$8,453,389	0.91										
ID	\$3,610,462	0.94										
NM	\$4,798,060	0.96										
MO	\$18,604,739	0.96										
KY	\$14,303,964	0.99										
AK	\$3,384,407	1.00										
WY	\$2,676,520	1.01										
IN	\$6,681,407	1.03										
OH	\$21,624,092	1.20										
WI	\$8,753,726	1.21										
WA	\$48,151,992	1.28										
UT	\$2,976,875	1.29										
MS	\$3,487,758	1.41										
GA	\$7,233,046	1.84										
US	\$1,688,478,212	0.54	0.15	0.69	\$259,456,897	\$445,906	581.86	\$98,113	\$57,088,222	0.71	\$176,643,293	\$3.09

Of the benefit-cost ratio figures at the state-level, only one state stands out as a clear outlier. The final calculation for this state is a benefit of \$14 in recoveries for each dollar invested. This is 4.3 standard deviations above the average and 1.2 above the next highest state. This outlier state also

shows the highest figures for overpayments established and recovered amounts per dollar in staffing costs. These figures are 5.1 standard deviations above the average for recovered amounts per BPC dollar, and 3.9 standard deviations for established amounts, putting them well above any other state. Together these lead to a much higher estimated value of investing in additional BPC staffing. This one state outlier does not materially impact the ultimate benefit to cost ratio. Removing it from the benefit/cost calculation reduces the overall benefit value only slightly, from \$3.09 per dollar invested in BPC to \$3.05.

Conclusion

Overall, the analysis suggests that the national average benefit-to-cost ratio of expanding BPC activities is around \$3. That is, each additional \$1 spent on state BPC operations is estimated to increase recoveries by approximately \$3. This drives an estimated value of roughly \$259.5 million in additional overpayment establishments and \$176.6 million in recoveries of established overpayments for a targeted increase of \$57 million in staffing costs across 35 states.

The \$3 figure across 35 states compares to the previous analysis, which estimated a \$5 increase per additional dollar spent on BPC operations. This change appears to be driven by significant increases in states' BPC investments which have led to higher rates of recovery since 2001. While net UI payments decreased by 14% in real terms between September 2001 (a mild recessionary year) and September 2019, recoveries increased by 31%. This return was brought about by an 81% increase in BPC activity, adjusted for inflation, and a 54% increase in staff years. During this period, dollars established have held roughly steady in real terms, as have the estimated total value of overpayments.

In addition to further analysis of post-pandemic BPC operations, OUI will consider using a longer period of analysis. When the 2001 analysis was developed, the RJM data collection instrument was new and additional years of data were not available. Compiling data across a number of additional years may help to smooth and reduce the incidence of state outliers resulting from limited issues such as one-off events, or from reporting or sampling errors.

In conclusion, the analysis of 2019 data reflects a benefit to costs ratio of approximately \$3.00 in increased recoveries for each \$1.00 invested in BPC activities.

Notes

1. *Cost-Benefit Analysis of Expanding Benefit Payment Control Activities (FY 2001)*; U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance – Division of Fiscal and Actuarial Services;
<https://oui.doleta.gov/unemploy/integrity/cb_ada.asp>
2. *Government Performance Results Act (GPRA) Reports*; U.S. Department of Labor, Employment and Training Administration; <<https://oui.doleta.gov/unemploy/gpra.asp>>
3. *Overpayment Detection and Recovery Activities (ETA 227) Reports*; U.S. Department of Labor, Employment and Training Administration;
<<https://oui.doleta.gov/unemploy/DataDownloads.asp>>
4. *Resource Justification Model (RJM) Reports*; U.S. Department of Labor, Employment and Training Administration; <<https://oui.doleta.gov/rjm/>>