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The Unemployment Trust Fund: FY2024 Income, Outlays, and End-of-Year Balances

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SUMMARY

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The joint federal-state Unemployment Insurance system provides temporary and partial wage replacement to involuntarily unemployed workers and stabilizes the economy during recessions. Two permanent-law unemployment benefits—Unemployment Compensation (UC) and Extended Benefits (EB)—are countercyclical, with spending and weekly benefit payments that increase automatically during a recession. States administer unemployment benefits under their state laws, with U.S. Department of Labor (DOL) oversight, resulting in 53 different UC programs operated in the states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

The Unemployment Trust Fund (UTF) in the U.S. Treasury accounts for transactions related to UC and EB. The UTF is a single trust fund with 59 accounts: the Employment Security Administration Account (ESAA); the Extended Unemployment Compensation Account (EUCA); the Federal Unemployment Account (FUA); 53 state accounts (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands); the Federal Employees Compensation Account (FECA); and two accounts related to the Railroad Retirement Board (RRB).

This report provides a figure that displays FY2024 flows of funding through the UTF. Specifically, this figure includes projections from DOL related to the income, outlays, and end-of-year balances of the UTF. This report also provides a description, including relevant statutory authorities, of UTF sources of revenue, accounts, statutory transfers, federal loans to states, UC appropriations out of the ESAA account, and outlays on unemployment benefits.

For a broad overview of the UC program, see CRS In Focus IF10336, *The Fundamentals of Unemployment Compensation*. For additional information on how UC benefits are funded through the UTF, see CRS Report RS22077, *Unemployment Compensation (UC) and the Unemployment Trust Fund (UTF): Funding UC Benefits*.

Contents

Figures

Appendixes

Contacts

Introduction

The Unemployment Insurance (UI) system is constructed as a joint federal-state partnership in which the Unemployment Compensation (UC) program and the UC benefit are the foundation of the UI system. Created under the Social Security Act of 1935 (P.L. 74-271), the UC program provides income support through weekly benefit payments. Although there are broad requirements under federal law regarding UC benefits and financing, the specifics are set out under each state's laws. States administer UC benefits with U.S. Department of Labor (DOL) oversight, resulting in 53 different UC programs operated in the states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.[1]

The Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373)[2] established the Extended Benefit (EB) program to provide additional weeks of unemployment benefits if high unemployment exists within a state. After UC benefits are exhausted, the EB program, also administered by states, may provide up to an additional 13 or 20 weeks of benefits, depending on worker eligibility, state law, and economic conditions in the state. Under permanent law, the EB program is funded 50% by the federal government and 50% by the states.[3]

Designated as a trust fund for federal accounting purposes, the Unemployment Trust Fund (UTF) in the U.S. Treasury accounts for UC and EB financial transactions. The UTF's *structure*, which involves 59 separate accounts, and *complexity*, which includes four types of statutory transfers between key UTF accounts, present challenges in tracking the annual flow of UI income and outlays. Congress may be interested in understanding how federal unemployment tax revenue moves through UTF accounts. In particular, there may be interest in which UTF flows are based upon statute and statutory thresholds and which flows require annual appropriations.

This report illustrates the operations of the UTF using FY2024 projections from DOL on UI income, outlays, and end-of-year balances. Included is a description of sources of revenue, UTF accounts, statutory transfers, federal loans to states, UC appropriations out of the relevant UTF account, and outlays on UI benefits. Relevant statutory authorities are also provided throughout. The **Appendix** provides a glossary of acronyms used in this report.

The Unemployment Trust Fund

The UTF's authority and structure are set out under Title IX of the Social Security Act (SSA).[4] The UTF is a single trust fund with 59 accounts: the Employment Security Administration Account (ESAA); the Extended Unemployment Compensation Account (EUCA); the Federal Unemployment Account (FUA); 53 state accounts (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands); the Federal Employees Compensation Account (FECA); and two accounts related to the Railroad Retirement Board (RRB).

The UI system is financed by federal payroll taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA). All UI tax

[1] For an overview of the UC program, see CRS In Focus IF10336, *The Fundamentals of Unemployment Compensation*. The District of Columbia, Puerto Rico, and the U.S. Virgin Islands are included in the definition of *state* under the Federal Unemployment Tax Act (see 26 U.S.C. §3306(j)(1)).

[2] 26 U.S.C. §3304 note.

[3] For additional information on UC and EB, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*.

[4] 42 U.S.C. §§1101-1111.

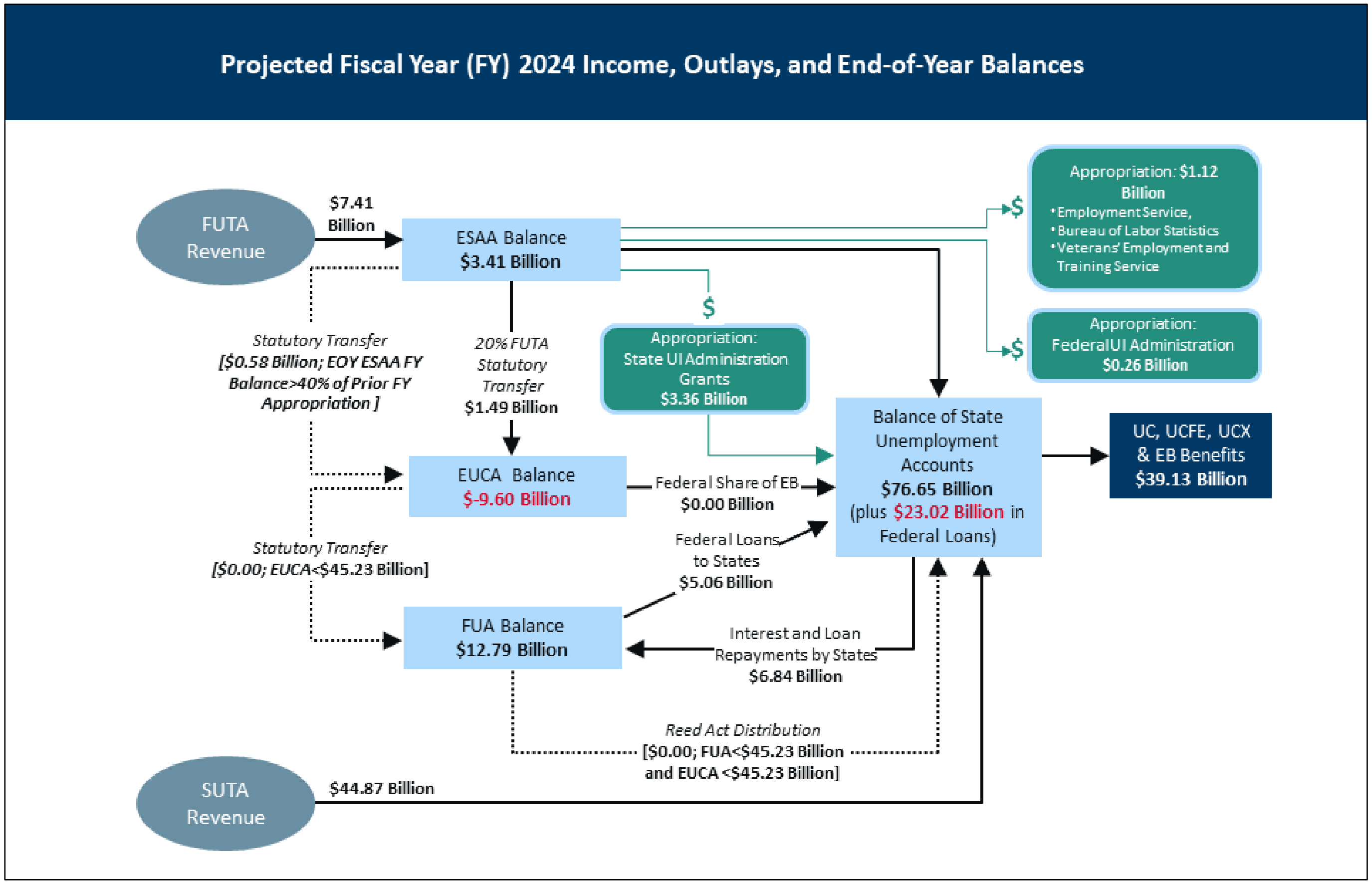
receipts and outlays for benefits and administration flow through the U.S. Treasury and thus affect federal revenue, outlays, and the overall financial position (deficit or surplus) of the federal government. This trust fund designation is used to accumulate legal spending authority that is available automatically when needed. The revenue and the outlays of the UI system are counted in the federal budget.[5]

For additional information on the UTF, see CRS Report RS22077, *Unemployment Compensation (UC) and the Unemployment Trust Fund (UTF): Funding UC Benefits*.

Figure 1 displays FY2024 flows of funding through the UTF.

[5] For an overview of federal trust funds, see Congressional Budget Office, *The Outlook for Major Federal Trust Funds: 2020 to 2030*, September 2, 2020, https://www.cbo.gov/publication/56523.

Figure 1. The Unemployment Trust Fund



Source: Congressional Research Service; FY2024 program data from U.S. Department of Labor, *UI Outlook: President's Budget 2025.*

Notes: "FUTA" is Federal Unemployment Tax Act. "SUTA" is State Unemployment Tax Acts. "ESAA" is Employment Security Administration Account. "EUCA" is Extended Unemployment Compensation Account. "FUA" is Federal Unemployment Account. "UI" is Unemployment Insurance. "EB" is Extended Benefits. "UC" is Unemployment Compensation. "UCFE" is Unemployment Compensation for Federal Employees. "UCX" is Unemployment Compensation for Former (ex-) Servicemembers. Not presented in this figure: (1) an additional reimbursement of $0.36 billion from federal agencies to states for UCX and UCFE and (2) any repayments from Unemployment Trust Fund accounts to the General Fund.

Sources of Unemployment Trust Fund Revenue[6]

Sources of UTF revenue are depicted in **Figure 1** as gray ovals.

The federal-state UI program is financed by federal payroll taxes under FUTA and by state payroll taxes under SUTA.[7]

FUTA

The Federal Unemployment Tax Act of 1939 is set out under Title 26, Sections 3301-3311, of the *U.S. Code* and establishes a federal payroll tax that employers pay to fund both federal and state administrative costs as well as the federal share of the EB program (50%), loans to insolvent state UC accounts, and state employment services. If a state UC program complies with all federal requirements, the net FUTA tax rate for employers is 0.6% on the first $7,000 of each worker's earnings. Federal law defines which jobs a state UC program must cover for the state's employers to avoid paying the maximum FUTA tax rate (6.0%) on the first $7,000 of each employee's annual pay.[8]

FUTA revenues are deposited in the U.S. Treasury and credited to the ESAA within the UTF (see the section on "ESAA").

In FY2024, income from FUTA was projected to be $7.41 billion.[9]

For additional information on FUTA, see CRS Report R44527, *Unemployment Compensation: The Fundamentals of the Federal Unemployment Tax (FUTA)*.

SUTA

States levy their own payroll taxes on employers to fund regular UC benefits and the state share of the EB program (50%). The SUTA tax rate on an employer is, in most states, based on the amount of UC benefits paid to former employees. Generally, the more UC benefits paid to its

[6] In addition to FUTA and SUTA revenue, there is additional income to the UTF from federal agencies, which reimburse states for payments of Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Former (ex-) Servicemembers (UCX). See the discussion on "UC, UCFE, UCX, and EB Benefits." In FY2024, reimbursements from federal agencies for UCFE and UCX were estimated to be $0.36 billion.

[7] The atypical arrangement of state-funded benefits and federally funded administration has its roots within the development of the Social Security program. In its 1935 report, the President's Committee on Economic Security recommended that federal grants be provided to the states for the administration of UC benefits. The committee asserted that the FUTA would be an adequate source of funds for federal and state administration and provide a level playing field for all states. By structuring the funding for administration to be paid from FUTA revenue, the federal government could require proper standards of administration at the state level. States today must comply with federal tax laws regarding the administration of their UC programs or face increased FUTA taxes. The full 1935 President's Committee report can be accessed at https://www.ssa.gov/history/reports/ces5.html. (See the chapter titled "Unemployment Compensation: Outline of Federal Act.")

[8] From 1984 until July 1, 2011, the net FUTA tax was 0.8% on the first $7,000 of each employee's earnings. Beginning July 1, 2011, the net FUTA rate decreased to 0.6%. Table A1 in CRS Report R44527, *Unemployment Compensation: The Fundamentals of the Federal Unemployment Tax (FUTA)*, provides the history of FUTA tax rates and tax bases.

[9] Unless otherwise stated, all FY2024 income, outlays, and end-of-year balances cited in this report are from DOL, *Unemployment Insurance Program Outlook: President's Budget 2025*, https://oui.doleta.gov/unemploy/pdf/prez_budget_25.pdf.

former employees, the higher the tax rate of the employer, up to a maximum established by state law.[10]

SUTA revenues are deposited into the relevant state account (see "State Unemployment Accounts") in the UTF and, under Title 26, Section 3304(a)(4), of the *U.S. Code*, may be used only to pay for the state's UC benefits and the state's portion of EB payments.

In FY2024, income from SUTA was projected to be $44.87 billion.

UTF Accounts

UTF accounts are depicted in **Figure 1** as light blue boxes.

Although the UTF is a single trust fund, it has 59 accounts: ESAA; EUCA; FUA; 53 state accounts (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands); FECA; and two accounts related to the RRB. The FECA and the two RRB accounts are not depicted in **Figure 1** to simplify the graphical presentation of UTF flows.[11]

ESAA

The ESAA account is authorized under SSA Section 901.[12]

All FUTA revenue is credited to the ESAA account. Under SSA Section 901(c),[13] funds from the ESAA account are made available through the annual federal appropriations process,[14] which designates these funds to be used by DOL for the costs of administering the state UC programs as well as other expenditures, including the federal share of EB (50%), loans to insolvent states, and some other purposes described below (see the section on "UC Appropriations out of the ESAA Account").

Under SSA Section 901(d)(1),[15] any additional FUTA paid by employers because the state has an outstanding, unpaid loan from FUA is transferred from ESAA to the FUA (see the sections on "Federal Loans to States" and "FUA"). Additionally, under SSA Section 905(b)(1),[16] each month, 20% of the FUTA deposits into the ESAA are transferred to EUCA, which funds the federal share of EB (see section on "Monthly 20% ESAA to EUCA Transfer"). Under SSA Section 901(f),[17] at the close of the fiscal year, the ESAA balance is limited to 40% of the amount of the total appropriation for the fiscal year (e.g., $1.73 billion for FY2023 and $1.87 billion for FY2024),

[10] For recent state-specific information on SUTA taxable wage bases and SUTA minimum, maximum and, new employer tax rates, see DOL, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2024," https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/January2024.pdf.

[11] FECA reimbursements are mentioned in the notes to **Figure 1**: In FY2024, there was an additional reimbursement of $0.36 billion from federal agencies to states for UCFE and UCX. These UCFE and UCX reimbursements flow through FECA.

Unlike other types of unemployment benefits, RRB unemployment benefits are not administered by states or with oversight provided by DOL. Instead, RRB unemployment benefits are administered by the RRB. For more information, see RRB, *Railroad Unemployment and Sickness Benefits, 2023*, https://rrb.gov/sites/default/files/2023-06/2023%20UB-9%20%28web%29.pdf.

[12] 42 U.S.C. §1101.

[13] 42 U.S.C. §1101(c).

[14] Not all amounts from ESAA are made available through the annual federal appropriations process. See the sections on "End-of-Fiscal-Year Transfer Above Ceiling from ESAA to EUCA" and "Monthly 20% ESAA to EUCA Transfer."

[15] 42 U.S.C. §1101(d)(1).

[16] 42 U.S.C. §1105(b)(1).

[17] 42 U.S.C. §1101(f).

with the excess to be deposited into the EUCA at the beginning of the next fiscal year (see the section on "End-of-Fiscal-Year Transfer Above Ceiling from ESAA to EUCA").

For additional information on the role of ESAA in funding state administration of UC benefits, see CRS In Focus IF10838, *Funding the State Administration of Unemployment Compensation (UC) Benefits*.

EUCA

The EUCA account is authorized under SSA Section 905.[18]

If a state has an active EB program,[19] EUCA distributions are made for the federal portion (50%) of EB payments. There is no EB projected to be payable in states in FY2024 and, therefore, no transfer from EUCA to any state unemployment account.

Under SSA Section 905(b)(2),[20] the EUCA balance is limited to the maximum of $750 million or 0.5% of covered wages ($45.23 billion for FY2024).[21] If the EUCA balance exceeds the limitation, the excess is distributed to the FUA account (see section on "End-of-Fiscal-Year Transfer Above Ceiling from EUCA to FUA").

Although EUCA is projected to have $1.98 billion in cash at the end of FY2024, the net end-of-year balance for the EUCA account is projected to be negative (-$9.60 billion). EUCA's negative balance is due to borrowing attributable to (1) the Great Recession (December 2007 to June 2009) and (2) the COVID-19 recession (February to April 2020). Under SSA Section 905(d),[22] EUCA has the authority to borrow funds from the General Fund of the U.S. Treasury without fiscal year limitations.

In FY2024, the EUCA is projected to have two large outstanding debts. First, EUCA is projected to have approximately $5.5 billion in debt to the General Fund of the U.S. Treasury because of debt incurred from paying the statutorily obligated EB during the COVID-19 recession. Second, EUCA is projected to owe an additional $6.08 billion via an inter-account transfer loan from FUA, which was incurred paying for statutorily obligated EB during the Great Recession.[23]

FUA

The FUA account is authorized under SSA Section 902.[24]

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[18] 42 U.S.C. §1105.

[19] For additional information on EB, including trigger requirements for states to have active EB programs, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*.

[20] 42 U.S.C. §1105(b)(2).

[21] *Covered wages* refers to wages subject to FUTA. P.L. 105-33 increased the statutory ceiling on the FUA from 0.25% to 0.5% of covered wages, effective October 1, 2001. P.L. 102-318 had previously lowered the FUA ceiling from 0.625% to 0.25% and increased the ceiling for EUCA from 0.375% to 0.5%. Prior to that, P.L. 100-203 had increased the FUA ceiling from 0.125% to 0.625% and raised the EUCA ceiling from 0.125% to 0.375%.

[22] 42 U.S.C. §1105(d).

[23] Section 910 of SSA (42 U.S.C. §1110) allows for inter-account borrowing among ESAA, EUCA, and FUA.

[24] 42 U.S.C. §1102.

In addition to any transfer from EUCA, as described above, under SSA Section 901(d)(1),[25] the FUA is credited with the additional taxes paid by employers when a reduced credit against federal taxes exists because the state has an outstanding unpaid loan from FUA.[26]

FUA funds are distributed as loans to states through the state unemployment accounts (see the section on "Federal Loans to States"). Under SSA Section 902(a),[27] the FUA balance is limited to the maximum of $550 million or 0.5% of covered wages ($45.23 billion for FY2024). If this FUA balance ceiling is met *and* the same ceiling is met for EUCA, then Reed Act distributions are made (see the section on "Reed Act Distributions").

In FY2024, the end-of-year balance for the FUA account is projected to be $12.79 billion.

State Unemployment Accounts

Under SSA Section 904,[28] SUTA revenues are deposited into the relevant state accounts in the UTF.

In FY2024, the end-of-year balance for the state unemployment accounts is projected to be $76.65 billion. In addition to this balance, the state unemployment accounts are projected to owe $23.02 billion in federal loans in FY2024 (see section on "Federal Loans to States").

UTF Statutory Transfers

Statutory transfers are depicted in **Figure 1** as lines with arrows. These lines are either solid (see "Monthly 20% ESAA to EUCA Transfer") or dotted (see "End-of-Fiscal-Year Transfer Above Ceiling from ESAA to EUCA," "End-of-Fiscal-Year Transfer Above Ceiling from EUCA to FUA," and "Reed Act Distributions"), depending on whether the transfer is automatic (solid) or certain conditions must be met for a transfer to occur (dotted).

Four types of statutory transfers among accounts in the UTF are presented in **Figure 1**:[29]

1. End-of-fiscal-year transfer from ESAA to EUCA,
2. Monthly 20% transfer from ESAA to EUCA,
3. End-of-fiscal-year transfer from EUCA to FUA, and
4. Reed Act distributions (from FUA to states).

End-of-Fiscal-Year Transfer Above Ceiling from ESAA to EUCA

Under SSA Section 901(f),[30] any funds in excess of the amount equal to 40% of the total appropriation from the ESAA are taken out of the ESAA at the end of the fiscal year. The excess funds are deposited into the EUCA at the beginning of the next fiscal year. The FY2023 end-of-year balance for the ESAA account was $2.31 billion, which was above the 40% ESAA balance

[25] 42 U.S.C. §11101(d)(1).

[26] Section 901(d)(2) of SSA (42 U.S.C. §11101(d)(2)) requires that the additional tax deposited into the FUA be credited against the debt owed by the state of the employer.

[27] 42 U.S.C. §1102(a).

[28] 42 U.S.C. §1104.

[29] UTF accounts may also have transfers for repayment to the General Fund of the U.S. Treasury to repay loans as well as interest payments accrued on loans from the General Fund. Details on these transfers are found in DOL, *Unemployment Insurance Outlook: President's Budget 2024* under the "Outgo" heading for each UTF account.

[30] 42 U.S.C. §1101(f).

limit for FY2023 ($1.73 billion). This resulted in $0.58 billion being deposited into the EUCA at the beginning of FY2024.[31]

Monthly 20% ESAA to EUCA Transfer

Under SSA Section 901(f),[32] each month, the ESAA distributes 20% of the *net monthly activity* to the EUCA.[33]

In FY2024, monthly transfers from ESAA to EUCA are projected to total $1.49 billion.

End-of-Fiscal-Year Transfer Above Ceiling from EUCA to FUA

Under SSA Section 905(b),[34] the EUCA balance is limited to the maximum of $750 million or 0.5% of covered wages ($45.23 billion for FY2024). If the EUCA balance exceeds the limitation, the excess is distributed to the FUA account.

In FY2024, there is no projected statutory transfer from EUCA to FUA, as the account balance (-$9.60 billion) is projected to be under the ceiling for FY2024 of $45.23 billion.

Reed Act Distributions

As explained above, at the end of the fiscal year, there is a limitation on the balance in the ESAA: The account balance cannot exceed 40% of the prior fiscal year's congressional appropriation (SSA Section 901(f)[35]). If the balance in the ESAA exceeds this limitation, the excess is distributed to EUCA. After the distribution, if the balance in the EUCA exceeds the applicable EUCA limitation,[36] the excess is distributed to the FUA. If after the distribution from the EUCA, the FUA balance exceeds the limitation,[37] the excess is distributed, as a Reed Act distribution, to the states under SSA Section 903.[38]

In FY2024, there are no projected Reed Act distributions, as the account balances for EUCA (-$9.60 billion) and FUA ($12.79 billion) were both under the ceiling for FY2024 of $45.23 billion.

For additional information on Reed Act distributions, see CRS Report RS22006, *The Unemployment Trust Fund and Reed Act Distributions*.

[31] The FY2024 projected ESAA end-of-year balance reflects an expected $1.54 billion transfer to EUCA at the end of FY2024 based upon the balance of funds in the ESAA in excess of the FY2024 balance limit of $1.87 billion. The projected $1.54 billion from the ESAA would be deposited into the EUCA in FY2025.

[32] 42 U.S.C. §1101(f).

[33] Net monthly activity includes all revenues credited to the ESAA less any FUTA refunds. It also excludes any additional taxes collected to pay for outstanding state UTF loans. (For information on these additional taxes, see the section "Federal Tax Increases on Outstanding Loans Through Credit Reductions" in CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*.

[34] 42 U.S.C. §1101(b).

[35] 42 U.S.C. §1101(f).

[36] See the discussion on "EUCA."

[37] See the discussion on "FUA."

[38] 42 U.S.C. §1103. In addition, Congress has built on the existing authority for Reed Act distributions to provide special, one-time transfers to states, including, for example, the incentive payments for expanded UC eligibility under Section 2003 of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) and the emergency administrative grants under Section 4102(a) of the Families First Coronavirus Response Act (P.L. 116-127).

Federal Loans to States

Federal loans to states are depicted in **Figure 1** as a solid line with an arrow between the FUA account and the state unemployment accounts.

If states do not have enough funding in their state accounts, Title XII of the SSA[39] allows the states to borrow funds from the FUA within the UTF. States may borrow from other sources, although some states are prohibited from doing so under state laws.[40] The issuing of a loan to the state would require that the FUA redeem securities. This redemption would decrease the federal debt. If the FUA is insolvent and the other federal accounts within the UTF do not have sufficient balances to lend the funds that states need (as occurred in FY2010-FY2015 and began again in May 2020), Title XII of the SSA allows the FUA to borrow funds from the U.S. Treasury. If Treasury issues new securities in order to lend funds to the FUA, this would increase the federal debt. When a state pays back the loan from the FUA, the FUA then uses those funds to repay its debt to Treasury, and the federal debt decreases.

In FY2024, there is a projected $5.06 billion in additional federal loans to states and $6.84 billion in interest and loan repayments from states to the FUA account. States are projected to have a cumulative $23.0 billion in outstanding loans at the end of FY2024.

For additional information on federal loans to states, see CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*.

UC Appropriations out of the ESAA Account

UC appropriations out of the ESAA account are depicted in **Figure 1** as green lines with arrows ending with large "$" symbols. Appropriated amounts, along with their descriptions, are displayed as green boxes with rounded corners.

Each fiscal year, funds are made available through the appropriations process to make distributions of FUTA revenue for state administration, the federal costs of administration, and other purposes—for example, the Employment Service (ES), Bureau of Labor Statistics (BLS), and Veterans' Employment and Training Service (VETS). Most of these UC appropriations are accounted for through DOL's Employment and Training Administration's State Unemployment Insurance and Employment Service Operations (SUIESO) funding.[41]

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[39] 42 U.S.C. §§1321-1324.

[40] "States are also able to use private sector borrowing instruments, such as revenue bonds, to repay the federal government for their outstanding loans…. [E]ight states used the private market to finance UI debt following the 2007 recession. Since the beginning of the 2020 recession no states have utilized private sector borrowing instruments to repay federal advances. Numerous states were able to minimize or repay federal advances through alternative funding sources including funding made available through the CARES Act in 2020 [P.L. 116-136] and the [American Relief Plan] Act in 2021 [P.L. 117-2]" (DOL, *State Unemployment Insurance Trust Fund Solvency Report 2024*, https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2024.pdf).

[41] DOL, *FY 2025 Budget, State Unemployment Insurance and Employment Service Operations*, https://www.dol.gov/sites/dolgov/files/general/budget/2025/CBJ-2025-V1-07.pdf. BLS appropriations, including those appropriated from the ESAA, are documented at DOL, *FY 2025 Budget, Bureau of Labor Statistics*, https://www.dol.gov/sites/dolgov/files/general/budget/2025/CBJ-2025-V3-01.pdf.

For the purposes of **Figure 1**, FUTA revenue appropriated for the DOL-Office of Inspector General (DOL-OIG) is not listed. For example, in FY2024, under P.L. 118-47, the Consolidated Appropriations Act, 2024, $5,841,000 was appropriated out of the ESAA account in the UTF for salaries and expenses of the DOL-OIG. DOL-OIG appropriations, including those appropriated from the ESAA, are documented at DOL, *FY 2025 Budget, Office of the Inspector General*, https://www.dol.gov/sites/dolgov/files/general/budget/2025/CBJ-2025-V3-04.pdf.

State UI Administration Grants

SSA Section 901(c)(1)(A)(I)[42] authorizes administrative grants to the states (subject to appropriations limits) from the ESAA. The discretionary annual appropriations to DOL for administrative expenses are based upon DOL's assessment of state budgetary requirements, not the size of FUTA collections.[43] These appropriations customarily include a base level of funding as well as an additional contingent appropriation. The appropriations language customarily provides a baseline estimate of national unemployment as measured by the volume of unemployment compensation claims expected to be filed per week—the average weekly insured unemployment (AWIU). Additionally, the contingent funding includes a trigger based upon the average volume of weekly UC claims exceeding the AWIU baseline. For example, under P.L. 118-47, the Further Consolidated Appropriations Act, 2024, for every 100,000 increase in the total AWIU above the 3,075,000 baseline, an additional $28.6 million in funding would be available.

Once the AWIU is above the contingent appropriation threshold, DOL notifies the Office of Management and Budget, which then releases funds from the contingent appropriation. If the need for contingency funds exceeds the base appropriation, but the national AWIU is less than the contingent appropriation threshold, then either Congress must enact a supplemental appropriation or states must reduce administrative expenses or provide additional state funding from different revenue streams or state general funds (as SUTA funds may pay only for UC and EB).[44]

As shown in **Figure 1**, in FY2024, DOL projected that $3.36 billion would be appropriated for state administrative grants.

For additional information on funding state UI administration, see CRS In Focus IF10838, *Funding the State Administration of Unemployment Compensation (UC) Benefits*.

Federal Administration

SSA Section 901(c)(1)(B)[45] authorizes expenditures out of the ESAA (subject to appropriations) to support the necessary expenses of DOL for the performance of its functions as required by UC law (i.e., under SSA and FUTA), VETS, and any federal unemployment compensation law. In FY2024, DOL projected that $0.26 billion would be appropriated for federal UI administration from the ESAA.

[42] 42 U.S.C. §1101(c)(1)(A)(I).

[43] DOL currently uses the Resource Justification Model to collect information from states about administrative expenditures. See DOL, *ET Handbook 410, 6th Edition, Resource Justification Model*, https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2019/UIPL_2-20_Attachment_1.pdf.

[44] For example, the Supplemental Appropriations Act of 2008 (P.L. 110-252) provided an additional $110 million in administrative funding to compensate the states for the administrative costs of processing the UC claims workload for the balance of FY2008. (For background on this issue, see DOL, Unemployment Insurance Program Letter 07-08, January 17, 2008, https://oui.doleta.gov/dmstree/uipl/uipl2k8/uipl_0708.pdf.)

[45] 42 U.S.C. §1101(c)(1)(B).

Other Appropriations out of ESAA: ES/BLS/VETS[46]

SSA Section 901(c)(1)(A)(ii)[47] authorizes expenditures out of the ESAA (subject to appropriations) for the establishment and maintenance of public employment offices (ES)[48] based on the share of the workforce that is in covered employment (see SSA Section 901(c)(4)[49]). The proportion of ES funding provided from ESAA ranged from 85% in 1973 to 97% in 1980 (as UC program coverage had increased) and has remained at 97% through the present.[50]

Similarly, SSA Section 901(c)(1)(A)(iii)[51] authorizes expenditures for carrying out the activities of VETS.[52]

While there is no similar authorizing language for expenditures out of the ESAA to BLS within Title IX of SSA, DOL's FY2025 budget justification provides information on how BLS activities support the ES and UC programs. For example:

> Programs in this area help fulfill many requirements of the Wagner-Peyser Act as amended by the Workforce Innovation and Opportunity Act (WIOA) of 2014, including requirements that the Secretary of Labor "… develop and maintain the elements of the workforce and labor market information system …" as well as develop and maintain national projections of employment opportunities by occupation and industry. This legislation requires the development of information on jobs in demand to support states' efforts to better train for the hiring needs of businesses.[53]

Additionally:

> The BLS operates the CES [Current Employment Statistics], Quarterly Census of Employment and Wages (QCEW), Occupational Employment and Wage Statistics (OEWS), and LAUS [Local Area Unemployment Statistics] programs in cooperation with the states and territories. As noted within their respective descriptions, these programs

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[46] All FY2024 projections referenced in this report, including appropriations out of the ESAA, come from DOL's *UI Outlook: President's Budget 2025*. While annual appropriations made for the purposes of ES, BLS, and VETS result in outlays outside of the UTF, there are some program interactions and related policy goals. Additionally, DOL's *UI Outlook* characterizes these three types of appropriations under "State Administration"—see DOL, *Unemployment Insurance Program Outlook: President's Budget 2025*, p. 14.

[47] 42 U.S.C. §1101(c)(1)(A)(ii).

[48] Building on prior experience with labor exchange services, the Wagner-Peyser Act (29 U.S.C. §49 et seq.) was enacted in 1933 to establish a more uniform federal-state system of public employment service offices from the existing mix of state and local offices. The act created the ES within DOL to promote the establishment and maintenance of the federal-state public employment service. The ES is federally funded, primarily by appropriations from FUTA via the ESAA. The ES is the central component of most states' workforce development systems, as services are universally accessible to all jobseekers and employers. Reflecting this central role, the Workforce Innovation and Opportunity Act (WIOA; 29 U.S.C. §3101 et seq.), enacted in 2014, requires ES offices to be integrated by being physically located with One-Stop centers and prohibits standalone ES offices. In addition, because ES staff conduct the work test for the receipt of unemployment benefits, ES is also a critical component of the UC system.

For additional information on WIOA, One-Stop Centers, ES, and UC work tests, see CRS Report R44252, *The Workforce Innovation and Opportunity Act and the One-Stop Delivery System*.

[49] 42 U.S.C. §1101(c)(4).

[50] Carol R. Lubin, "The Employment Service Role in Unemployment Compensation," in National Commission on Unemployment Compensation, *Unemployment Compensation: Studies and Research*, vol. 3, 1980, p. 877, https://oui.doleta.gov/dmstree/misc_papers/advisory/ncuc/uc_studies_and_research/ncuc-vol3.pdf#page=256.

[51] 42 U.S.C. §1101(c)(1)(A)(iii).

[52] For more information on VETS, see DOL, "Veterans' Employment and Training Service," https://www.dol.gov/agencies/vets.

[53] DOL, *FY 2025 Congressional Budget Justification: Bureau of Labor Statistics*, p. 19, https://www.dol.gov/sites/dolgov/files/general/budget/2025/CBJ-2025-V3-01.pdf.

> compose the BLS Labor Market Information (LMI) Cooperative Statistical Program, which is conducted in accordance with the provisions of the Wagner-Peyser Act as amended by WIOA. The BLS uses cooperative agreements to fund the states for these programs. BLS regional staff, under the direction of the Office of Field Operations in the national office, negotiate and monitor LMI cooperative agreements.[54]

In FY2024, DOL projected that $1.12 billion would be appropriated for ES, BLS, and VETS.

UC, UCFE, UCX, and EB Benefits

Outlays for UC, UCFE, UCX, and EB benefits are depicted in **Figure 1** with a dark blue box.

The Social Security Act of 1935 (P.L. 74-271)[55] authorizes the joint federal-state UC program to provide unemployment benefits. Most states provide up to a maximum of 26 weeks of UC benefits. Former federal workers may be eligible for unemployment benefits through the Unemployment Compensation for Federal Employees (UCFE) program. Former U.S. military servicemembers may be eligible for unemployment benefits through the Unemployment Compensation for Ex-Servicemembers (UCX) program. The Emergency Unemployment Compensation Act of 1991 (P.L. 102-164) provides that ex-servicemembers be treated the same as other unemployed workers with respect to benefit levels, the waiting period for benefits, and benefit duration.

The EB program was established by the Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373).[56] P.L. 91-373 may extend the duration (i.e., number of weeks) of unemployment benefits (extended benefits) at the state level if certain economic conditions exist within the state.

In FY2024, outlays on UC, UCFE, and UCX benefits were projected to be $39.13 billion. No EB was projected to be payable in FY2024.

For additional information on UC, UCFE, UCX, and EB benefits, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*.

[54] DOL, *FY 2025 Congressional Budget Justification: Bureau of Labor Statistics*, p. 20.

[55] Titles III, IX, and XII.

[56] 26 U.S.C. §3304 note.

Appendix. Glossary of Acronyms

AWIU	Average weekly insured unemployment
BLS	Bureau of Labor Statistics
EB	Extended Benefits
ES	Employment Service
ESAA	Employment Security Administration Account
EUCA	Extended Unemployment Compensation Account
FECA	Federal Employees Compensation Account
FUA	Federal Unemployment Account
FUTA	Federal Unemployment Tax Act
DOL	U.S. Department of Labor
RRB	Railroad Retirement Board
SSA	Social Security Act
SUIESO	State Unemployment Insurance and Employment Service Operations
SUTA	State Unemployment Tax Acts
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Former (ex-) Servicemembers
UI	Unemployment Insurance
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service

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