



State of Wisconsin

Date: July 31, 2025

To: Members of the Joint Committee on Finance and Joint Committee on Information Policy and Technology

From: Department of Administration Secretary Kathy Blumenfeld *Kathy Blumenfeld*

From: Department of Workforce Development Secretary Amy Pechacek *Amy Pechacek*

Subject: 2021 Wisconsin Act 4 Quarterly Report – Second Quarter 2025

Pursuant to 2021 Wisconsin Act 4, under Wis. Stat. s. 108.14(27)(e), this report serves to update you on the progress the Department of Workforce Development (DWD) has made on its project to improve the information technology (IT) systems used for processing and paying claims for unemployment insurance (UI) benefits from April 1 to June 30, 2025.

DWD has undertaken various projects to modernize the suite of Wisconsin's Unemployment Insurance (UI) systems. These efforts include modernizing UI's information technology systems used for processing and paying claims for benefits (referred to as the "monetaries" project), as required by Act 4. DWD modernization efforts also include enhancements to the employer portal and advanced security features to assist in preventing and identifying UI fraud. The UI modernization projects have been supported by federal American Rescue Plan Act (ARPA) funds: \$80 million in State and Local Fiscal Recovery Funds (SLFRF), administered through the Department of Administration, and \$29 million in ARPA grants awarded by the U.S. Department of Labor (U.S. DOL).

DWD had specific plans to use both sources of federal funds (ARPA-SLFRF and ARPA-U.S. DOL funds) to complete modernization projects of its UI systems. The UI modernization projects were to ensure effective and efficient payment of benefits, provide secure and accessible communications with employers, and reduce fraud and overpayments. Unfortunately, as part of the Trump Administration's termination of \$675 million in ARPA grants awarded to UI programs in over 30 states and territories, on May 22, 2025, U.S. DOL—without prior notice—terminated \$29 million of DWD's modernization grants. As a result of U.S. DOL's action, DWD was forced to halt the following UI modernization projects:

- **UI Employer Portal Modernization (\$11.25 million).** DWD planned to use the funds to create a state-of-the-art web-based and mobile solution that modernizes the current employer portal with the added functionality that improves communications between DWD and its customers for tax and wage reporting, employer information and support, responding to submitted unemployment insurance claims verification, and activities in support of appeals. Some of the most critical items in the modernization project are secure communications to reduce fraud and document sharing to increase efficient collaboration between employers and DWD.
- **UI Program Integrity (\$2.6 million).** DWD used this to identify potential fraud, modernize the UI system to detect sophisticated new fraud schemes, and improve overpayment collection activities.

- **UI Fraud Detection and Prevention (\$3.7 million).** This grant was used to strengthen identity verification of UI claimants, enhance fraud detection and prevention strategies, improve data management and analytic capabilities, increase cybersecurity, and expand overpayment recovery efforts in all UI programs.
- **UI Tiger Team (round 1: \$4.2 million; round 2: \$263,400).** DWD used the grant to implement identity authentication and identity proofing tools, including the Integrity Data Hub, as well as to modernize its application process. DWD was looking to further enhance its adjudication case scheduler automation and central repository for all interactions on a claim when the funds were terminated.
- **UI Equity (\$6.8 million).** DWD planned to use the remaining grant funds to implement a modernized correspondence tool to facilitate effective written communication with all UI customers through an agile and efficient systems interface. The new tool would make updates to standard correspondence less costly and require less staff resources.

Termination of the U.S. DOL grants prevents DWD realizing efficiencies for Wisconsin employers, workers, and DWD staff that it would gain from a fully modern and integrated UI IT system. Due to the importance of these projects, on June 25, 2025, DWD sent a letter to the Joint Committee on Finance (JFC) requesting one-time funds to make up for this loss. DWD also requested U.S. DOL to reconsider its termination of the grants. JFC did not provide DWD modernization funds and U.S. DOL declined to reverse its terminations.

While the \$80 million ARPA-SLFRF modernization funds are not impacted by the Trump Administration's actions, those funds are insufficient to support the full modernization work and integration of its IT systems in a cloud-based environment. The UI IT systems, including monetaries, correspondence, adjudication, audit and QA, appeals, and employer portal, are complex and interdependent of each other. All components must be updated before the systems can be fully cloud-based. To best position itself to modernize the interconnected UI systems, DWD will be focusing on converting to modern code "on premise" rather than in the cloud. DWD will continue to develop the monetaries and other modules on premise with a focus on modern coding language that is more flexible and adaptable. When DWD has sufficient resources to convert the code for all interconnected UI systems, it will be poised to migrate fully to cloud-based system.

Indisputably, U.S. DOL's termination of the modernization funds set DWD back in terms of completing its modernization projects. Yet, we are proud of the UI modernization efforts that have been completed to date:

- Artificial Intelligence augmentation and fraud screen tool advancements;
- A cloud-based omni-channel contact center;
- Virtual customer service agents that are available after business hours to answer common questions in English and Spanish;
- An online chatbot that can answer common questions in English, Spanish, and Hmong;
- Fraud detection through LexisNexis and National Association of State Workforce Agencies' Integrity Data Hub;
- An online filing process and document upload capability that uses AI to enter data instead of manual data entry;
- Secure online messaging with adjudicators;
- Mobile phone friendly design for claimant portal with text alerts;
- Translation of the UI application into plain language;
- A dashboard showing initial and weekly claims by county;
- An adjudication scheduler;

- ID proofing;
- Knowledge base tool implementation; and
- Accessibility assessments.

Finally, to keep the Committees apprised of the resources being used and the cost of modernizing UI's information technology systems used for processing and paying claims for benefits, the following provides a funding overview for that project:

State and Local Fiscal Recovery Funds (SLFRF) under American Rescue Plan Act (ARPA)

\$ 80,828,962.00	Allocation
\$46,030,914.93	Expended
\$2,779,695.41	Committed*

*An additional \$18,247,000 is subject to a Purchase Order with a vendor; however, there is no pending contract with the vendor to complete the work.

We hope you find this information helpful. We will provide the next quarterly Act 4 report to you in October 2025. In the meantime, please do not hesitate to contact us with questions.