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- Thank you, Mr. Chairman, and members of the committee for the invitation to be here today.
  - This is a timely and important conversation for the State of Wisconsin.
  - I'm confident that the deep concern shared by me, my team at DWD, and Governor Evers for those out of work through no fault of their own is shared by the entirety of this committee and the other invited speakers.
  - I am hopeful that we can continue working together to find additional solutions to help those unemployed in Wisconsin in the weeks and months to come.
  - I'd like to begin my remarks with a recognition of the sobering economic impact of COVID-19 on Wisconsin residents.
  - From your calls, texts, and emails, I know you're getting the same messages we are:
  - Urgent calls from Wisconsinites facing the greatest economic uncertainty of their lifetime.
  - People desperate to pay bills, stay current on rent or their mortgage, buy groceries, and pay for medication.
  - Here's a portion of a letter we received from Sara in Madison last week:
  - "I'm scared to death of being evicted. I was sick a few years back and wasn't able to work and lost my previous duplex. I slept in my car almost the entire time. Searching for simple things like a shower. It took me almost 2 years to get the apartment I live at now, if I lose it there will be no possibility of ever getting another place in Madison. I am considered to be in the high-risk category for Covid. I have been hoping and praying every day that somehow I make it through this physically, emotionally and financially."
  - That's one of thousands of the messages we've received over the course of the

last two months and I'm sure in line with the ones you have received as well.

- Their personal stories weigh heavily on me and my staff.
- As difficult as they are to read and hear, it's important that we do.
- And to remember that it was for people like Sara that in the midst of the Great Depression that Wisconsin became the first state in the nation to implement Unemployment Insurance.
- The program was put in place to assist those who are out of work through no fault of their own, recognizing the social cost of unemployment on our families, our businesses, and our wellbeing.
- It's these affected neighbors, friends, and families whose needs drive our work,
- in good times and in bad,
- and fuel our collective sense of urgency to effectively serve the most vulnerable among us.
- Before detailing our department's response to the COVID-19 public health emergency, I feel it's important to briefly articulate the enormity of change over the last two months as it relates to unemployment in Wisconsin.
- Prior to the COVID-19 public health emergency, DWD was receiving roughly 45,000 weekly unemployment claims per week.
- For the last seven weeks, we have been averaging around 300,000 per week, a six-fold increase in a month.
- I'm sure you saw the release last week, Wisconsin jumped from a 3.1% unemployment rate in March to 14.1% in April.
- Not many Wisconsinites have been alive during a time of higher unemployment in Wisconsin, let alone experienced a month over month double digit increase.
- Wisconsin's highest weekly claim total during the Great Recession occurred in January 2010, three years after it began, with 193,754 claims.
- Within six weeks of COVID-19, we saw 307,000 weekly claims.

- DWD processed 290,000 initial claims in all of 2019. Since March 15 of this year, we have processed nearly 600,000, more than doubling last year's total in one sixth of the time.
- It's obvious we are in uncharted waters and will continue to be as we navigate the impacts of COVID-19 in the weeks and months ahead.
- As we continue attacking the historic workload, I would like to briefly recognize the work of the team at DWD over the course of this pandemic.
- Their dedication, patience, selflessness, and endurance has been inspirational to me and to many of the claimants we've served.
- No one on my 1,400-person team does their work for the prestige, public appreciation, or the money.
- They do it because their goal is to help people, many of whom are in their hour of greatest need.
- Nowhere is our core mission of helping people more deeply engrained than in our Unemployment Insurance division.
- Helping those out of work through no fault of their own stay afloat amid this pandemic is work of the highest order and work that every employee takes to heart.
- And their hard work has been steadily paying off.
- Between March 15 and May 10, 2.4 million weekly claims were filed in Wisconsin.
- For comparison, DWD received 311,000 weekly claims during this same period in 2019, representing a 670% increase.
- Of the 2.4 million weeks claimed, approximately 1.7 million have been paid, representing 72% of all claims.
- There has been much misrepresentation regarding the balance of unpaid claims, so I am happy to clarify the types of weeks that fall in that remaining 28%.
- Making up that remaining 28%, 11% have been denied due to ineligibility and just under 1% are under suspension for a previous UI overpayment, which leaves 16% of all claims held, representing our ongoing case load.

- This case load represents 388,000 weekly claims from just over 140,000 claimants with 230,000 issues requiring adjudication.
- It should be noted that, while onboarding and interpreting new federal programs and instituting myriad policy changes to our state UI system, our existing staff's work in determining eligibility on nearly 2 million weekly claims in **eight weeks represents eight months of work**.
- With increased productivity and an influx of new adjudicators, DWD anticipates continued, consistent reduction in our case load.
- While the numbers are compelling, leadership at DWD has fully understood the historic economic implications of COVID-19 since day one.
- Our planning and strategies to work through and around our agency's constraints of time, enormous volume, antiquated technology, and limited personnel reflect this.
- At the onset of the COVID-19 public health emergency, my number one priority was getting this right.
- And getting it right meant making my staff work-from-home ready, ensuring the ongoing integrity of our systems, and rapidly staffing up to meet the extraordinary demand.
- For the ongoing health of my team, that of their families, and our ability to continue serving the public effectively, it was imperative to get as many of our staff out of our buildings and working remotely as quickly as possible.
- Due to the tireless work of our IT staff, we were able to make 90% of our workforce able to work from home in a matter of weeks.
- DWD, and especially the UI Division, is subject to strict data security compliance requirements from many agencies, including the IRS, SSA, and DOA.
- We had to find a way to offer the same level of protection to the public in staff's home networks as we offer in our highly regulated state network.
- Second, in order to provide effective ongoing customer service, it was essential to stabilize our IT and telephony systems.

- Perhaps it goes without saying, but I'll say it anyway: Our call systems were not built to handle 5.8 million calls in a week, a 20,000% increase over last year's busiest week
- The DWD Telecom team, with the help of DOA, spent the last two weeks of March enhancing our telephony systems to minimize the disruption in our ability to serve claimants on the telephone.
- We increased the call capacity of our Help Center by 200% in 10 days by adding two additional session border controllers (SBCs) and performing load balancing.
- Ordering processes that normally take one month were reduced to 28 hours. We are now able to accept 160 calls per second and have 690 simultaneous calls.
- While we are still not able to answer every call, we have ensured that there is less waiting time and more calls answered during call center hours.
- As I'm sure you're aware by now, our antiquated, inflexible, 50-year-old Cobol-based core benefits system has hamstrung our ability to quickly onboard new changes and programs.
- Although it was well-known to be highly problematic coming out of the Great Recession, UI's benefits system was not modernized.
- Thankfully, some improvements were made to the customer facing application system.
- Our online Initial and Weekly Claims applications and Claimant portal have made it possible for us to take more than 2 million weekly claims into our system.
- While prioritizing staff system stability, we immediately began working to address another top challenge: Limited personnel.
- We worked quickly to expand our team in UI through multiple means:
- As I shared with you during our agency's legislative briefing on April 2, I transferred a large number DWD employees into UI in late March and welcomed temporary reassignments from other state agencies.
- We have now transferred approximately 150 non-UI DWD employees into UI, representing 17% of our non-UI staff.

- We continue to coordinate with DOA for additional interagency reassignments.
  - To date, we have started 40 and are hopeful to receive more.
- In addition to the initial internal transfers, the Department immediately began standing up an HR infrastructure to complete more than 300 external hires in a matter of a few short months.
  - To date, our collective HR team has conducted nearly 1,800 interviews to fill our more than 300 openings.
- We are grateful that our efforts have resulted in hiring of 190 new employees and we will continue our efforts to reach 300 in the coming weeks.
- Understanding the need would be greater than external hires and government transfers could meet, we began in early April soliciting bids for external vendors to assist with claims processing, customer service, and adjudication.
  - After a thorough vetting process, our first contract was signed on May 7 with Alorica, a call center vendor, who will have 500 staff on the phones by the end of June.
  - As of today, that vendor has started 100 staff on the phones and is currently training 190 more.
  - Alorica staff began taking calls on Wednesday May 20, which has led to improvements for both claimants and employers and expanded capacity for existing DWD staff to handle more challenging calls and claims.
  - With the onboarding of our call center vendor, we immediately expanded our call center availability by almost two hours.
  - One of the questions we often get is why call center hours hadn't been expanded sooner and why we haven't expanded them longer.
  - The reason we have to stop accepting calls at a certain time each night is, as you will hear from me a lot today, because of our current benefits system. We need everyone out of the claims system in order to issue payments.
  - With a 10:30 p.m. ACH deadline, our team needs adequate time to prepare batch processing for daily payments. And claimant information cannot be added to the system during this batch processing cycle.

- Once we stop accepting new calls each evening, our staff continue to perform hours of work to clear call queues, process the claims, issue payments ahead of the nightly ACH deadline, and call back claimants.
- We continue to examine ways to work around our technological limitations to determine how we may be able to extend our hours;
- however, it's important to remember that the constraining factor for claimant service and claims processing over the past 10 weeks has not been the hours of operation, but the number of people available to answer calls and process those claims.
- Stretching out the hours might have spread some of the call volume, but with the same level of personnel, it would have also spread the number of available staff on the phones over any given period, providing no additional relief to claimants.
- Whether it's answering calls, processing approved claims, or adjudicating held claims, it takes people to perform all those tasks.
- Due to the amount of personally identifiable information UI staff handle, those hires must pass a rigorous background screening, including for some positions, a federal fingerprinting background check.
- In order to provide solid information and assistance to claimants, those hires must be trained and trained well, which also takes time.
- Although all suggestions are considered and appreciated, the demand that we expand call center hours immediately would not have addressed the bottleneck of extraordinary claim and call volume nearly as effectively as bringing on additional qualified and well-trained staff, which we have done and are doing.
- In addition to the 500-person call center, we have also signed contracts with a vendor who will provide 200 adjudicators and 100 claims processors, as well as a call center to specifically help with PUA claims with 40 personnel.
- These new staff will also help with our call volume.
- We need bodies and minds to address all steps in the process—application, processing, adjudication, and appeals.

- That is how we reduce an individual's need to call our help line, and your offices.
- When claims are paid, the calls will cease.
- All told, between external hires, internal transfers, intergovernmental transfers, and the onboarding of new external vendors, UI has hired, contracted, and/or transferred approximately 650 new staff and contractors as part of our 1,300-person hiring effort.
- As we look to provide the timeliest, most accurate, and most secure service to claimants and employers, these new processes present security concerns, technology compatibility issues, and all vendor staff still must be trained and pass the same background checks as DWD employees.
- As we expand our staff and our hours, I hope this committee and the public recognizes that our response to claim and call volume require greater considerations and appropriate due diligence to protect taxpayers, businesses, and claimants.
- While it has publicly been suggested to take shortcuts and make payments quicker, our statutes, which require legislative action to change, do not allow it. The Department of Labor has consistently enforced a requirement that UI benefits only be paid when due and not to pay benefits until all issues that affect an individual's entitlement to UI are adjudicated after giving both the claimant and the employer the opportunity to be heard during the adjudication process.
- On top of administering our regular state UI program, we have also been working to interpret and implement new federal programs, along with several changes to our existing state system.
- I will briefly summarize these recent changes:
- Before federal pandemic UI was enacted, on March 12, DOL provided guidance to state UI programs to grant flexibility in eligibility requirements for those workers affected by COVID-19.
- Following that guidance, the Governor issued Emergency Order # 7 on March 18, to provide relief from mandatory work searches during the public health emergency and expanded eligibility for those not able to work due to quarantine related to COVID-19.



- The Families First Coronavirus Response Act (FFCRA), signed by President Trump on March 18, provided \$1 billion in administrative funding for state UI programs.
- To secure these federal funds, DWD was required "to ease eligibility requirements and access to unemployment claims, including waiving work search requirements and the waiting week, and non-charging employers directly impacted by COVID--19."
- To this end, DWD began emergency and permanent rulemaking for DWD 120, which provides notice to separated employees that they may be eligible for UI.
- DWD has also promulgated an emergency rule (DWD 127 and 128) to supplant Emergency Order # 7.
- The rule provides, on a temporary basis, that a public health emergency constitutes four work search actions for each week that a claimant files an unemployment insurance claim.
- This rule also provides criteria for determining when unemployment insurance claimants are available for work during the COVID-19 pandemic. The rule meets the federal requirement to ease UI access and eligibility requirements.
- By successfully pursuing administrative emergency rule and statutory changes (which I'll discuss soon), Wisconsin was able to secure the two installments, totaling \$18.9 million in administrative funding.
- On March 27, the president signed the federal stimulus package, known as the CARES Act, which created the following three programs:
  - Federal Pandemic Unemployment Compensation (FPUC), which provides individuals an emergency increase of \$600 per week in unemployment benefits;
  - Pandemic Unemployment Assistance (PUA), which provides up to 39 weeks of unemployment benefits to people not otherwise eligible for regular UI but are impacted by one of 10 specific COVID-related conditions (e.g. self-employed, independent contractors, workers with limited work history, workers seeking part-time employment); and
  - Pandemic Emergency Unemployment Compensation (PEUC), which provides an additional 13 weeks of emergency benefits for people who remain unemployed after they have exhausted their regular UI benefits.

- For each of those programs, federal funding was contingent on entering an agreement with DOL. I did that at the first opportunity on Saturday, March 28th, to allow Wisconsinites to take advantage of those programs.
- The CARES Act also provides federal funds to states to reduce by half the liability of reimbursable employers for their COVID-19 UI claims, full federal funding for the first week of benefits in states that do not impose a waiting period and for those that offer short-term compensation (work-share) programs.
- On April 15, Governor Evers signed 2019 Wisconsin Act 185, which made several changes to our state's UI program.
- Act 185 temporarily waives the one-week waiting period for benefit years beginning after March 12, 2020, and before February 7, 2021, which allows the state to be eligible for certain grants and additional funding under both the FFCRA and the CARES Act.
- UI implemented the programming and paid out about \$56 million in retroactive waiting week benefits to over 173,000 claimants beginning April 21.
- Act 185 also made changes to how employers are charged for benefits related to the state's public health emergency for weeks occurring after March 12, 2020 and before December 31, 2020.
- Rather than charging UI benefits for those weeks, benefits must now be charged to either the balancing account of the UI trust fund, for claims attributable to contribution employers, or to DWD's interest and penalties account, for claims attributable to reimbursable employers.
- Due to DOL's surprising interpretation that reimbursable employers, which include governmental entities, nonprofit organizations, and Native American tribes, must pay their bills in full in order to receive their federal reimbursement, DWD has decided it will not bill the state's portion and is also pursuing an emergency rule, DWD 113, to waive interest and penalties on delayed reimbursements.
- Finally, Act 185 also made several temporary changes to our work-share program to make it more accessible for employers to utilize in lieu of laying off personnel.

- Unfortunately, the challenges associated with implementing and administering all of these programmatic changes have been compounded by technology constraints.
- First, it is difficult to find programmers still in the workforce who have a working knowledge of COBOL.
- DWD currently has 16 COBOL programmers to assist the agency implement new programs on our antiquated base benefits system.
- Second, the most prominent constraint of COBOL and what has most affected claimants is that its programming and testing can only be performed in a linear and sequential manner.
- Thus, testing and onboarding of new programs cannot be performed simultaneously, affecting the timing of new state and federal programs.
- So far, we have deployed, in order of completion, the waiting week payments, FPUC, and PUA. And we are beginning programming for PEUC.
- In the coming weeks and months, we must complete programming for the deployment of PEUC, additional PUA requirements, work-share changes, extended benefits, and recharging provisions, while also addressing fraud situations, critical production changes, and bugs as they are discovered.
- Despite our department's best efforts, the programming has not been without bumps in the road. You may recall that we discovered a coding error the last week of April while we were paying out retroactive FPUC benefits.
- The night of April 29, DWD disbursed UI and FPUC direct deposit payments to more than 39,000 claimants, including for the first time, some retroactive FPUC benefits.
- DWD learned of an error from a claimant who reported receiving duplicate FPUC payments on April 30 around 8 a.m. and took action to reverse all direct deposits by 1 p.m. that day.
- Only deposits made to US Bank accounts were processed before DWD recovered the payments because those who do not bank at US Bank were scheduled to receive their direct deposit May 1. About 2,300 claimants had payments reversed.
- DWD confirmed a programming error that led to overpayments the afternoon of April 30 and worked with US Bank to redistribute retroactive FPUC benefits so

all claimants received benefits the morning of May 1. After redistributing those benefits, though, additional issues were revealed.

- The Legislative Audit Bureau is in the process of reviewing the misapplied payments and our response, so I will not go into greater detail today.
- For this committee's purposes, I wanted you to know that the issues revealed while correcting the mistakes and taking steps to prevent any future ones has led to delays of implementing the outstanding program changes I just mentioned.
- While none of the programs have not been deployed as quickly as anyone would have liked, we are grateful that we have begun paying out PUA last week, and have paid out more than \$950 million in FPUC and \$518 million in traditional UI since March 15, providing a lifeline to families in need and communities in pain.
- We are also grateful, that with deliberate planning, strategy, and appropriate throttling, our system has, thus far, withstood the load of initial claims and programmatic changes.
- Also, as I'm sure you are aware, other states that have stood up internal and external systems in haste are seeing very troublesome data breeches, which, to date, DWD has successfully avoided.
- Last week you may have seen that in Ohio, Illinois, and Colorado where these states had contracted with Deloitte to build their PUA application portals, applicants' social security numbers and home addresses were exposed to other users.
- You've also likely heard of the crime rings targeting UI systems that has collected hundreds of millions of dollars in Washington, North Carolina, Massachusetts, Rhode Island, Oklahoma, Wyoming, Montana, and Florida.
- With nearly 1.7 million weeks paid and \$1.5 billion in benefits distributed, thanks to the diligence of our staff, we have flagged 1,400 claims as potential fraud, with potential payments estimated to be around \$46,000.
- We will continue to closely monitor potential fraud in both UI and PUA.
- Although nearly all of my remarks today have revolved around managing our reaction to the COVID-19 crisis, please know that DWD is also working to prepare the workforce and help employers during recovery.

Take for instance, Wisconsin's short-term compensation program, known as Work share.

- At the beginning of March 2020, we had one active plan with 21 participants.
- Between March 15 and May 25, 2020, through strong messaging efforts and communication to employers, we have seen a dramatic increase, with more than 16,000 workers now participating in 413 Work-Share plans.
- DWD also created a webpage to connect job seekers to in-demand jobs posted on [JobCenterofWisconsin.com](http://JobCenterofWisconsin.com).
- While their services are currently available online and by phone, our job center staff continue to help people find jobs, apply for work, and connect with training programs.
- DWD applied for and secured a grant to have our local workforce boards train dislocated workers across the state so they can gain some work experience now and be better prepared for job opportunities in the future.
- We also continue to meet with employers and workforce partners on how we will train and prepare our workforce for the future economy. We all question what the "new normal" will look like post-recovery and we want Wisconsin to be ready for it.
- Mr. Chair, your initial invitation said that you wanted me to brief this committee on the current issues facing the UI program in response to the COVID-19 health crisis and the historic levels of unemployment.
- I assume you also asked me here today to share the committee's thoughts and solutions, which I am looking forward to hearing, as we are always seeking continuous improvement and outside perspectives regularly.
- As such, our team participates in national calls and webinars with other state workforce agencies each week to learn from one another and we will continue to do so.
- Unfortunately, no state has found the silver bullet. We all have our individual strengths and challenges to work through.

- As I've described, here in Wisconsin, we analyzed the situation we were faced with, we developed a plan, and now we've been dutifully executing it since March.
- It will take time to see the full results of this executed plan and the decisions we've made along the way.
- There are always tradeoffs and opportunity costs with every decision we make. I, you, and many others will examine DWD's efforts in the months and years ahead with the luxury of hindsight.
- I'm certain we will all learn lessons that we can pass along to inform future officials of what to do and perhaps what not to do.
- With that in mind, I would feel it irresponsible of me to leave without making an ask of you, as members of one of the state bodies controlling the policies and purse strings for Wisconsin's workforce and economic development, so that the situation facing Wisconsin's UI program looks different during future crises:
- Please, let's invest in our UI systems and infrastructure.

One of the most glaring lessons learned coming out of the Great Recession was the desperate need to modernize the unemployment insurance base benefits system, yet Wisconsin is still saddled with one of the most antiquated and inflexible systems in the country.

- Early in 2019, UI briefed my leadership team on the state of the systems and recent modernization efforts.
- It was immediately apparent that modernization of the UI system must be a top priority, even in the midst of a low unemployment environment.
- Last spring, I directed UI to investigate systems in the marketplace to accelerate our modernization efforts.
- We identified subject matter experts to provide input on the potential applications and modernization strategies. Staff participated in a feasibility study with vendor demonstrations, which took place between August and October.
- After analyzing the options and receiving cost estimates in the tens of millions of dollars, UI and DWD leadership began looking at multi-year funding options

and how to engage the Unemployment Insurance Advisory Council and the Legislature on ways to fund these proposals.

- Unfortunately, COVID-19 hit with full effect before we could move forward with any of these options.
- Whether in times of budget constraints or historically low unemployment, it's never a convenient time to make a large investment in this program.
- But now, we've all seen the consequences of deferred action. Let's make sure our system is prepared for the next time Wisconsinites need to access the economic lifeline of unemployment insurance.
- With more people interacting with the Unemployment Insurance system for the first time, trying to buoy themselves, their families, and their local economies, let's also permanently repeal the one-week waiting period.
- The ease and rapidity with which it was suspended underscores the viability of a permanent repeal for all future claimants who need their benefit dollars for all weeks they're unemployed.
- No matter if the unemployment rate is 3% or 14%, every claimant deserves their first week of pay.
- Let's increase the weekly maximum benefit rate from a paltry \$370 per week.
- As you're well aware, the \$600/week Federal Pandemic Unemployment Compensation ends in July.
- I don't want to imagine the economic condition of our state if 14% of our workforce did not have that extra level of economic security.
- Pandemic or not, I don't know many Wisconsin families that can survive on a maximum of \$370 per week.
- Let's make it easier for a person to figure out whether they are eligible for UI. You shouldn't have to scroll dozens of frequently asked questions to figure out whether you should even apply for benefits.
- The nuances and complexities of this program make it clear why we are receiving the numbers of calls we do and why so many people feel that the system is rigged against them.

- In closing, I look forward to working closely with this body and other members of the legislature and state agencies to ensure economic stability and progress for all Wisconsinites during this pandemic and beyond.
- I want to assure this committee and the general public that paying every eligible claim in full as soon as possible is our sole and highest aim within UI and DWD.
- We fully understand that this is a challenging time for our state, the country, and the world, especially those who have sacrificed their income in order to save the lives of their neighbors.
- As we have since March, the team at DWD will continue rising to meet these historical challenges with compassion, urgency, steadfast dedication, and with the needs of Wisconsin's claimants top of mind.
- We appreciate your time today and thank you in advance for your continued cooperation in serving the public during the COVID-19 pandemic.
- At this time, I am happy to answer any questions you might have.