



State of Wisconsin

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

From: Department of Administration Secretary-designee Kathy Blumenfeld

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From: Department of Workforce Development Secretary-designee Amy Pechacek

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Subject: 2021 Wisconsin Act 4 Quarterly Report – First Quarter 2023

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 update the information technology (IT) systems used for processing and paying claims for unemployment insurance (UI) benefits from January 1 to March 31, 2023. We are pleased to share in this report that DWD has continued to make good progress in its UI modernization efforts.

Unemployment Insurance System Modernization

The Unemployment Insurance (UI) Modernization project is the effort to modernize the UI IT systems from a COBOL-based mainframe system to a cloud-based flexible system able to nimbly adapt to changes in the demands on the agency and changes in the program requirements. The goal of this project is to create a more modern, maintainable, sustainable, adaptable system to meet current and changing UI needs. Over time, the project will entirely replace the existing, antiquated mainframe, which has limitations in the availability of the system and directly impacts staffing and recruiting resources.

The future UI system will provide end-to-end services to DWD customers (claimants and employers) in a timely manner. DWD staff will be able to administer programs inclusively and efficiently, with modern online tools.

As previously reported, DWD has been working with Wisconsin-based Flexion to develop many of the early components of a modernized system. The department is working with Flexion to:

- Establish a cloud-based infrastructure that is modern, secure, and flexible enough to meet the changing demands.
- Transfer claims processing from the legacy system to the modern solution in an agile and iterative approach. This approach allows for continuous improvement of the overall development process to ensure each phase of development meets the needs of UI programs, while allowing the current UI system to continue to operate.

Throughout the first phase of this project, DWD has prioritized eliminating manual processes, including the determination of whether a claimant meets the criteria for benefits, the amount of the benefits, and the charging associated with benefits. This provides the foundation for future phases. During this reporting

period, development focused on the Benefit Estimator, the benefit calculation engine foundation, and system infrastructure.

Benefit Estimator

While under development, DWD continued to gather user feedback to learn of potential issues and iteratively update the Benefit Estimator.

A small group of staff continue to use the Benefit Estimator as a production tool. Their experience and feedback resulted in refinements to the Benefit Estimator screens to make the process as intuitive and efficient as possible.

Benefit Calculation Engine Foundation

The Benefit Estimator uses some key claimant information to estimate the claimant's benefit amount. These calculations are the foundation for identifying an accurate benefit amount. Building on the foundational work that started last quarter, DWD continued to develop the Benefit Calculation Engine in order to access the claimant information necessary for calculating their benefits. This includes determining the wages that will be used in the calculation, determining the initial weekly benefit rate and the maximum benefit amount, as well as identifying the UI base period.

The work for this quarter had two primary focuses: 1) continuing to add increasingly complex calculations in order to address all circumstances that establish a benefit amount and timeframe; and 2) using comparisons between the calculations of the legacy and modern system to refine those calculations. Ultimately, the overall system will be streamlined, but, for purposes of the monetary calculations, we are continuing to add increasingly complex calculations until we have the full monetary reflected. One of the ways that we are streamlining the system is by splitting the processes that handle the calculation of the benefit, identifying the amount the employer is responsible for, and establishing the correct charge to the employer. In the current legacy system, these three functions are intertwined so that to address one element, the system must reprocess all three.

During 2023 Quarter 1, the development team made significant progress on core calculations used to determine the eligibility on an initial claim. These calculations focus on how values will be used in the final determination and result in an assessment of the share of each employer's responsibility.

Additionally, a first iteration of a web-based interface was designed for users, testing how staff will interact with the calculation results as they are processed through the modern system. This design will continue to be refined and built as the calculations processed increase in complexity.

A success this quarter was the implementation of a fully functional mechanism to compare the modern calculation results to the legacy system. This mechanism establishes verifiable confidence that the modern calculation results are in fact accurate. As mismatches are identified in the calculations, the results are reviewed to assess whether the change is anticipated or to identify other processes that need to be applied in that circumstance. We will continue to use this mechanism throughout development to validate the results at each step in the process.

Work on the benefit calculation engine will continue over the coming quarters by adding increasing complexity to these types of calculations, including calculating the amount that each employer is responsible for, and starting to evaluate how best to charge impacted employers their share.

Infrastructure

Work continues to establish a secure and reliable cloud environment. A secure and reliable cloud environment is required and an essential step in the process of moving away from the legacy main frame application.

Work on the cloud infrastructure has been focused on the following:

- Establishing sound practices for moving code from development to a more production focused location in the cloud.
- Continuing to improve the overall security of the new system's applications and engaging in the early planning steps that establish containers around different parts of the cloud environment to enhance the security and stability of the solution.
- Improving the infrastructure's foundation so that the newly developed applications can be implemented quickly, efficiently, and tested to ensure confidence.
- Identifying and implementing steps for enhanced security to allow for the storage of sensitive data in the cloud.

Future Efforts

DWD has prioritized eliminating manual processes in some key areas to maximize the impact for the end users, resulting in timely payment of benefits. Continued use of modern development practices will further increase the efficiency and flexibility of the new system. Over the coming quarters, DWD will continue to focus on building the systematic components that address the determination of whether a claimant meets the eligibility criteria for benefits, the correct amount of benefits, and the charging of that amount to the employer. Through this ongoing development of modern technology, DWD will establish mechanisms to provide flexible, real-time services to DWD customers. The result will reduce manual processing, as well as staff training time, increase flexibility and adaptability, and provide increasingly more accurate processing within the new system.

We hope you find this information helpful. We will provide the next quarterly update on the UI modernization project to you in July 2023. In the meantime, please do not hesitate to contact us with questions.