



State of Wisconsin

Date: January 30, 2023

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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Department of Workforce Development Secretary-designee Amy Pechacek

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Subject: 2021 Wisconsin Act 4 Quarterly Report – Fourth Quarter 2022

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 October 1 through December 31, 2022. 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 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

User feedback is a core principle DWD adopted for the modernization effort. By consulting users throughout the development process, the goal is to address any issues as quickly as possible.

Quarter 4 included obtaining staff feedback on the Benefit Estimator that was implemented at the end of Quarter 3.

A small group of staff used and tested the Benefit Estimator. Their experience and feedback resulted in updates to the Benefit Estimator screens to make them as intuitive and efficient as possible.

In addition to refining the user display, testing continued to ensure the accuracy of the Benefit Estimator. The testing involved comparing results from the legacy system with calculations by the Benefit Estimator. This method of testing ensures that the calculations are accurate, reliable, and duplicable.

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 performing all the calculations to obtain a complete and accurate benefit amount.

In Quarter 4, DWD continued building the calculation engine, including identifying a method for using the needed data from the legacy system to perform the unemployment calculation and establishing the framework to automatically assign the claim liability to the correct employer. The initial calculation work included determining the wages that will be used in the calculation, determining the initial weekly benefit rate and the maximum benefit amount, and identifying the UI base period.

Work on the benefit calculation engine will continue over the coming quarters by adding increasing complexity to these types of calculations.

Infrastructure

The work during Q4 focused on implementing and planning the infrastructure to improve the overall security of the applications in the new system. DWD contracted for a third-party security review of its utilization of the cloud platform to identify risks and industry best practices. No critical issues were identified and DWD implemented recommendations. DWD also worked on:

- Planning and initial prototyping of some recommended cloud infrastructure enhancements.
- Identifying a process for securely moving data needed for the new benefit calculation engine.
- Making foundational improvements to the infrastructure so, as development continues in the Benefit Estimator, the applications can be implemented quickly and efficiently and tested to ensure confidence.

Significant work remains to build out the cloud environment. This work is critical to establish a secure and efficient cloud environment to support the applications developed. A secure and reliable cloud environment is a required major step in the path to leave the legacy main frame application.

Future efforts will build on the success of the estimation screen to include more and more complex benefit calculations as well as steps to ensure benefits are charged to the appropriate employers. Work will continue to focus on these calculations. DWD will continue to build upon the core

functionality of the benefit calculation engines. This functionality will continue to be built to provide flexible, real-time services to DWD customers. This will be done by reducing manual processing, reducing training time by using current technology, and improving processing within the system.

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