



State of Wisconsin

Date: October 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 – Third 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 July 1 to September 30, 2025.

DWD has undertaken various projects to modernize the suite of Wisconsin's Unemployment Insurance 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, as well as other UI systems, such as 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. As reported in [the 2021 Wisconsin Act 4 Quarterly Report – Second Quarter 2025](#), the Trump Administration terminated the \$29 million of DWD's modernization grants on May 22, 2025, without prior notice. 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.

With these terminations, all UI modernization efforts are now supported by the remaining ARPA-SLFRF funding and the revised, reduced scope will be completed in fall 2026 to coincide with the end of this funding source. DWD is making progress with the resources available.

To adapt, DWD has revised the modernization plans to best meet the holistic needs of the system in these unanticipated circumstances. The complex and interdependent UI IT systems include the following components: monetaries, correspondence, adjudication, audit and QA, appeals, and employer portal. 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 UI's current servers, or "on premise," rather than in the cloud. To this end, DWD has begun a series of projects on premise with a focus on modern coding language that is more flexible and adaptable.

To best support the short and long term needs since the loss of access to a significant amount of federal resources, UI's modernization effort will deliver the following:

- **Manual Processing Reduction:** This effort addresses key manual processing pain points in the monetaries system. Currently, certain claims require manual processing because the system is not designed to handle particular situations associated with these claims. This manual processing is inefficient and slows down claims processing, even when there is not an onslaught of claims filed, as would be expected in an economic downturn. The new system will automatically pull the unprocessed claims from the system, run the claims through a predefined process, and return the results to the current system to complete the claims process. Through these changes, UI will be less reliant on manual processing, thereby speeding up claims processing.

During this quarter, development work began with early progress on a prototype calculator that will eventually be able to collect all the relevant information and perform the calculations for a given issue type. The prototype calculator allows developers and subject matter experts to assess the needs of each item the current system cannot automatically work through, identify the workflow, and test out early functionality. Future work will expand upon the limited number of

issue types currently included in the prototype.

- **Code Language Upgrade:** To address calculation of UI benefits for the monetaries system, DWD is soliciting vendor support to perform a code language upgrade to the Claimant and Worker Portals, which are external facing for claimants, and UIBNET, which is internal facing for UI staff. The upgraded code will allow DWD to realize the benefits of new features and security functionality, improve ease of development, and increase capacity to perform future development work. When complete, these disparate applications will be on the same code base, making integration and coordination between the systems easier.
- **Employer Portal Enhancements:** While the intended work on the Employer Portal included developing a new application in the cloud, DWD was forced to modify the plans after the termination of federal funds. The revised project focuses on critical improvements to the existing working system. To modernize the application, DWD is looking to upgrade all coding language so that DWD can realize the benefits of new features and security functionality, improve ease of development, and increase capacity to perform future development work. In-house developers are beginning work to improve application features where they connect to other UI systems. Those in-house developers will be augmented by vendor teams to work alongside DWD IT staff. The Employer Portal enhancements include enhancing security through the inclusion of myWisconsinID for secure portal logins and improving the user experience through page redesigns, submission capability for commonly used tax form, and secure messaging for direct electronic communication between employers and UI staff. Additionally, DWD is in the process of identifying a vendor to assist with upgrading to a modern code language and to assist with modern screen design.
- **UI Account Number Expansion:** UI Account Numbers are discrete and assigned to all employers subject to UI laws in Wisconsin. Each employer has a unique UI Account Number. A limit of six characters was programmed into the mainframe system when it was introduced about 50 years ago. That character limitation has not been changed, and old employer account numbers cannot be recycled. It is projected that UI will run out of UI Account Numbers for employers within three to four years. Mainframe changes are needed to expand the number of characters to assign UI account number to employers in the near future. This effort will be done using DWD developers following the initial mainframe work by a vendor.

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
\$49,416,180.05	Expended
\$16,346,639.34	Committed

Available funding for these efforts is \$31,412,781.95 as of September 30, 2025.

We hope you find this information helpful. We will provide the next quarterly Act 4 report to you in January 2026. In the meantime, please do not hesitate to contact us with questions.