



State of Wisconsin

Date: January 30, 2026

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

From: Department of Administration Secretary Kathy Blumenfeld

From: Department of Workforce Development Secretary Amy Pechacek

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

Kathy Blumenfeld
Amy Pechacek

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 October 1 to December 31, 2025.

Overview of Modernization of UI Systems

As DWD begins its 2026 modernization efforts, we thought it would be informative to recap the progress that has been made to date. DWD's ongoing modernization efforts have produced results that place Wisconsin **among the strongest-performing UI programs in the nation**. These efforts have significantly improved fraud prevention, strengthened communications, enhanced claimant resources, and leveraged technology to speed up processing, all while consistently exceeding or meeting federal timeliness and quality standards.

Leading up to the enactment of Act 4 in early 2021, delays in benefit payments during the pandemic were unfortunately common across the country. Legacy UI systems, largely unchanged for decades, were never designed to absorb the unprecedented volume of claims triggered by COVID-19. During 2020 alone, DWD processed more weekly claims than the prior four years combined. The benefit administration system in place in UI at the onset of the pandemic dated back to the 1970s.

To immediately address the avalanche of claims filed during the pandemic, upon assuming leadership of DWD in September of 2020, Secretary Pechacek brought in Google (via a contract with Carahsoft) to help address the backlog of more than 770,000 claims. Within weeks, innovative tools and predictive analytics enabled DWD to clear the backlog and accelerate payments to eligible claimants. Wisconsin's cutting-edge use of artificial intelligence technology – years before this tool was commonplace – has been internationally recognized and widely praised for its ingenuity and thought-leadership and is a celebrated example of public-private partnerships for large-scale public benefit.

As you know, DWD began its benefits systems modernization projects in early 2021, using the "iterative process" defined by incremental, flexible, and feedback-driven improvements. Wisconsin, once again, became the national leader for setting the standard in how to overcome generational, legacy technical debt in a modular approach that allows for faster incremental updates to be deployed to the public. This approach, and Wisconsin's priorities of fraud prevention, timely benefit processing, and accessibility became the model that the Biden Administration replicated nationally as the preferred method for other

states to emulate in order receive further federal modernization grants.

One DWD's first iterative modernization projects was a cloud-based Customer Call Center that provided an omnichannel web-based call delivery system that provides greater flexibility for agents in taking and responding to calls and in monitoring those calls. Since that time, DWD has undertaken various projects to modernize the suite of Wisconsin's Unemployment Insurance (UI) systems. These efforts include modernization projects far beyond the required scope of UI's information technology systems used for processing and paying claims for benefits, as required by Act 4. UI modernization has also included advanced security features to assist in preventing and identifying UI fraud.

These projects have been supported by federal American Rescue Plan Act (ARPA) funds, including \$80 million in State and Local Fiscal Recovery Funds (SLFRF) and \$29 million in U.S. Department of Labor (DOL) grants. **The cost of updating half-century-old, under-maintained IT systems is substantial.** These projects reflect the market rate to overcome generations of disinvestment. For this reason, DWD has strongly and consistently advised federal and state policymakers that technology funding must be ongoing to prevent future large-scale failures. The high project costs are the consequences of deferring system upgrades for 50 years.

Part of those federal U.S. DOL ARPA funds were to address UI's employer portal. Using \$11.25 million of the U.S. DOL funds, DWD partnered with outside experts to modernize the employer portal, address technical limitations of the current system, and expand opportunities for communication between employers and the state. The modern employer portal would improve communication between DWD and its customers for tax and wage reporting, employer information and support, responding to submitted unemployment insurance claims verification, and appeal activities all in a secure setting. Unfortunately, without advance notice, on May 22, 2025, U.S. DOL terminated \$29 million of DWD's modernization grants. DWD was part of the Trump Administration's termination of \$675 million in ARPA grants awarded to UI programs in over 30 states and territories. Vendors working on UI modernization had to end their work before the product was complete. Suspending work on a coding project to turn Nixon-era mainframe systems into something based in modern software is not like stopping construction of a stone fence between fields – it's more like putting aside a half-inflated balloon. The Trump Administration's decision to pull funding from UI modernization projects turned partially completed software contracts into sunk costs, effectively wasting many months and hundreds of millions of dollars nationally.

DWD immediately requested U.S. DOL to reverse its termination of Wisconsin's grants, citing the modernization delay and wasted use of spent resources that would be a consequence of the termination. Gov. Evers further demanded reversal from the Trump Administration, urging them to reconsider causing an unnecessary and grievous wound on the momentum and progress of these critical projects. The Trump administration has failed to reverse these damaging cuts, despite their impact to UI modernization, fraud prevention, and efficient service to the people of Wisconsin. Wisconsin has also joined other states in lawsuit to declare the termination of its grants outside of the Trump administration's authority and to declare the action unlawful. But as of today, there has been no reversal, and the lost time and resources have upended DWD's efforts to provide employers with a state-of-the-art modern portal. Notably, DWD will continue its work on the employer portal to improve ease of use and access to employers, but DWD will need to use ARPA-SLFRF funds (rather than using the U.S. DOL funds that were awarded)—necessitating the need to scale back the project.

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 UI 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. 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.

Modernization Accomplishments to Date

Despite this setback handed to states by the Trump Administration, DWD is committed to improving UI with the resources available. In fact, the accomplishments to date have profoundly impacted the ease of use for DWD's stakeholders:

- Artificial Intelligence augmentation to fraud screen tool advancements;
- A cloud-based omni-channel contact center;
- Virtual customer service agents that are available 24 hours a day, 365 days a year, 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;
- 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

UI Performance Successes Since the Pandemic

Even with all of these successful efforts and achievements, another way to consider Wisconsin's UI system is to look at DWD's performance and timeliness metrics, which UI is required to report to U.S. DOL. These metrics include:

- Speed of payment: Since modernizing the claimant portal, DWD has consistently paid 88% of regular UI claims within **three days or less** of the claim being filed.
- Duration of claims: Wisconsin consistently ranks **among the top five states** with the lowest exhaustion rate. This means many Wisconsin UI claimants stop filing for benefits before they receive their maximum amount of benefits, a reflection of robust re-employment services offered by DWD. Since 2023, Wisconsin has been among the states with the shortest average paid duration of a UI claim. Eligible claimants can receive benefits for up to 26 weeks, but Wisconsin's average duration of paid weeks is consistently less than 13 weeks.
- Average wait for appeal: This measure represents the average number of days claimants who are appealing their initial determination wait before receiving hearing. From January through June of 2025, the average wait was 14.5 days. **Wisconsin ranks 9th of the 53 State Workforce Agencies** in this metric.

Strength of UI Fraud Prevention

Another important measure of how DWD is performing is UI's fraud prevention measures. In addition to taking steps to prevent fraud, DWD has also implemented increasingly sophisticated measures to detect fraudulent activity through crossmatches and audits. Over the past five years, more than 30 program integrity projects and activities have been adopted, expanded, and initiated to strengthen the UI program. The work does not end there. DWD's strong collection program also recovers a considerable portion of overpayments when they do occur.

DWD's UI Division tracks instances where individuals are blocked from the UI Claimant Portal as one method to quantify fraud prevention. In 2023, the division identified 52,154 instances of potential "bad actors." These preventive measures include 15,266 instances of failed address verification, 19,201 instances of failed identity verification, and 17,687 instances of blocks based on other information technology measures.

Wisconsin participates in the National Association of Workforce Agencies' (NASWA) Integrity Data Hub (IDH). The IDH is a multistate data system that crossmatches and analyzes UI data provided by states across the country. The IDH flags claims with potential eligibility or fraud issues in Wisconsin and

makes the results available for review by division staff. These issues include claims with suspect identity fraud, suspect IP addresses, suspect bank accounts, or claims filed in multiple states. Potential eligibility or fraud issues identified by the IDH may or may not be duplicative of other detection methods used by the division. The IDH serves as a useful tool in DWD's layered approach to fraud detection and prevention.

Additional fraud prevention approaches used by DWD include:

- Employer audits, which resulted in additional employer assessments of \$4,815,779 in unpaid UI taxes and \$778,466 in interest in 2024.
- Employer complaints and public tips on suspected fraudulent claims.
- Contact with local, state, and federal law enforcement officers about suspicious activities.
- Analyzing Form 1099 data provided by the Internal Revenue Service to identify and investigate employers who may be misclassifying employees as independent contractors.
- Sophisticated fraud monitoring tools provided by the department's financial institution, which allow the department to monitor, predict, and respond quickly to suspected fraudulent activity.
- Quarterly meetings with other state agencies to discuss fraud trends and cases of mutual interest. The information shared in these meetings helps to detect, investigate, and prevent fraud from occurring across agencies.
- Benefit Payment Notices sent to employers informing them of who is receiving UI benefits from their account.
- Review of employer tax and benefit charge information to detect potential fictitious employers.
- Cross-referencing the payee name and dollar amount on all UI checks presented for payment with the same information on the department's disbursement file. Any check that does not match is rejected and not honored by the department's financial institution.
- Blocking individuals from using the department's bank account number to initiate unauthorized electronic funds transfers.
- US DOL has named two of the department's strategies to improve the accuracy of claim decisions using technology as "promising practices" that include a pop-up message warning a certain subset of claimants to be honest and forthcoming in the initial claims process. This, in turn, helps prevent future overpayments from occurring. US DOL will encourage other states to consider adopting the following overpayment prevention.

Current Update: Fourth Quarter 2025

As previously reported, 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. The work on the rescaled projects for this quarter include:

1. Modernization of the benefits systems:

Manual Processing Reduction: This project takes claims the legacy system can't handle through a modern module and returns the answer to the legacy system to accelerate the claim determination process. DWD identified the manual-processed claims that will be managed by an automated process. This prevents the accumulation of claims requiring hours of manual analysis and processing. The validation and calculation steps for this process continue.

Modern Coding Language: This effort modernizes and makes consistent the code for three applications to increase features and improve efficiency. DWD has awarded a contract for technical resources to assist with upgrading the coding language to support the outward facing Claimant Portal and the internal facing Worker Portal and UIBNET, which are used by staff to process claims.

2. Modernization of the employer systems:

Employer Portal: The project makes code upgrades to retain existing functionality and incorporates

modern features Wisconsin employers need to maintain efficiency and flexibility, in a user-friendly format. DWD has awarded a contract for the work to upgrade the coding language that supports the existing Employer Portal and to outline the screen design for the new solution based on human centered design principles. During this quarter, DWD completed code that will allow electronic forms to capture information directly from employers, developed secure messaging functionality for employers to exchange messages with DWD staff, and automated the addition of due dates for required items as they are sent out to the employer. DWD also made improvements to the Employer Portal registration design to improve the content and order of the questions and streamlined the document upload process. Finally, DWD began integrating MyWisconsin ID into the Employer Portal application, which will improve security at entrance to the portal.

Sample Screenshots

Below are sample screenshots of the electronic forms for the newly developed employer portal. These screens were created to best serve employers. As the project continues, DWD will seek stakeholder feedback to continually enhance the employer experience..

Image 1. Electronic Forms Sample: "Report of Business Transfer" (UCT-115) in electronic format outlining the steps necessary to complete the form.

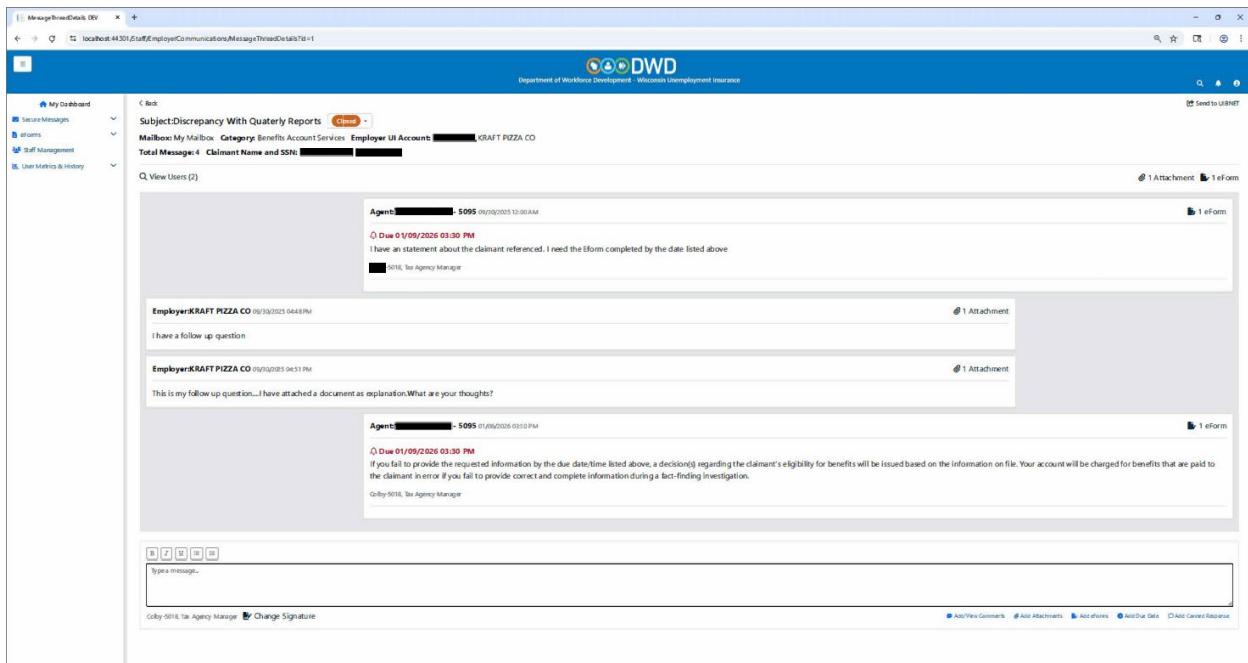


Image 2. Secure Messaging: Showcasing communication between an employer and a staff person, along with the ability to send attachments and electronic forms.

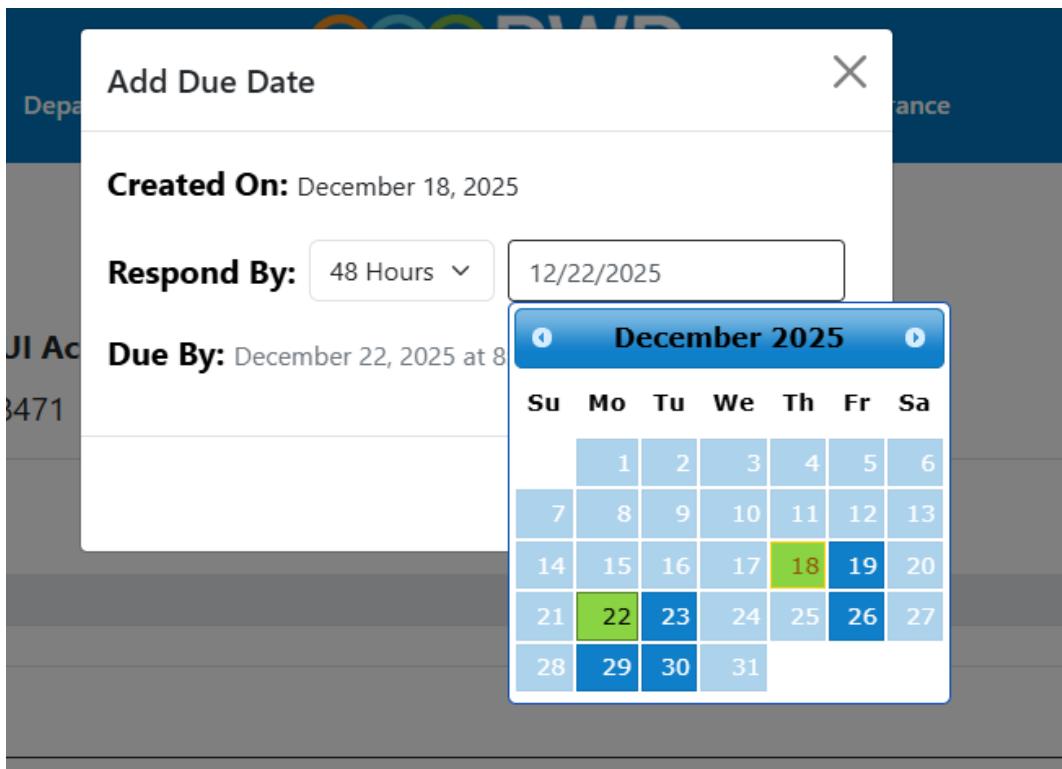


Image 3. Secure Messaging Due Date: Showcases the feature to add a due date for a secure messaging response.

UI Account Number Expansion: This work increases the number of employers that can participate in UI and pay their taxes associated with it by fixing current system limitations. DWD has no update on this project for this quarter.

Status of Project Funding

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
\$50,836,347.22	Expended
\$6,434,359.57	Committed

Available funding for these efforts is \$23,558,255.21 as of December 31, 2025.

Conclusion

Unemployment insurance is an earned benefit that Wisconsin workers have relied on since the state's first check was issued in 1936. The loss of federal funding to complete the modernization projects underway hurt DWD's efforts to combat fraud, serve the public, and reduce burdens to businesses. Nonetheless, as described above, DWD will continue to administer the law and look at every available option to improve the efficiency and effectiveness of program with the resources at its disposal.

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