Tony Evers

Office of the Governor │ State of Wisconsin

August 12, 2025

The Honorable Lori Chavez-DeRemer
Secretary
United States Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

Dear Secretary Chavez-DeRemer:

I write to request that you reconsider the Department of Labor's termination of $29 million in funding to modernize and prevent fraud within Wisconsin's unemployment insurance (UI) claims processing system. Wisconsin workers and employers rely on the timeliness and integrity of this system—most especially during times of economic uncertainty and instability. My administration and I have spent years working to overhaul and modernize Wisconsin's outdated UI system, which has been around since President Richard Nixon was in office. I am requesting your immediate attention and action to not only prevent years of sustained progress from being reversed but to help ensure Wisconsin retains our ability to successfully and effectively prevent benefit fraud, waste, and abuse—an interest I understood President Trump and his administration to purportedly share.

To understand how critical this investment is to our state, it is important to understand the context under which our modernization project under my administration began. Wisconsin's efforts to modernize our UI system began during the COVID-19 pandemic when decades of inaction by previous administrations and lawmakers were brought to bear. The early stages of the pandemic saw state unemployment rates rise from 3.5% in February 2020 to 14.8% just two months later. Over the course of four years from 2016 through 2019, the Department of Workforce Development (DWD) handled 7.2 million claims. In just nine months in 2020, DWD processed nearly 8.8 million claims. This massive influx of claims overwhelmed and backlogged Wisconsin's aging UI processing systems, which relied on legacy infrastructure dating to the 1970s.

Unfortunately, Wisconsinites were forced to weather yet another economic crisis under the same outdated system that had caused problems and delays for years. The fact of the matter is that previous administrations and more than a decade's worth of legislators knew Wisconsin's unemployment system was outdated and could not handle an economic crisis like the one precipitated by the pandemic, but they never took the time to fix it. I could not—and would not—allow that trend to continue. So, my administration got to work.

After taking action to clear the backlog, I called a special session of the Wisconsin State Legislature and ultimately signed 2021 Act 4, which began the process of modernizing these critical systems to prevent a future economic emergency from causing a similar crisis. Wisconsin began fixing our archaic UI system while finding and using innovative, first-of-their-kind solutions to help reduce benefit fraud and abuse. Over the past four years, DWD has advanced swiftly and successfully toward this goal, protecting the integrity of the claims processing system with cutting-edge technology while increasing virtual customer service options.

Importantly, since undertaking our modernization efforts, Wisconsin's UI program at DWD has been audited nine times between the years of 2020-2023. All told, the Legislative Audit Bureau was unable to identify any previously undiscovered fraud within the program.

DWD was on the cusp of even greater progress when, on May 22, 2025, the Department of Labor suddenly terminated $29 million in American Rescue Plan Act (ARPA) funds, halting work on some of the department's most critical modernization and anti-fraud prevention projects. The terminated funds included:

- **$11.25 million** to create a state-of-the-art web-based and mobile employer portal, including secure communications infrastructure to reduce improper payments and fraud.
- **$6.3 million** to prevent and detect fraud, ensure program integrity, and improve cybersecurity and overpayment collections.
- **$6.8 million** to modernize written communication with all UI customers through an agile and efficient systems interface, reducing costs and staff resources.
- **Nearly $4.5 million** to implement identity authentication and identity proofing tools, modernize the application process, enhance automation for case scheduling, and centrally document all interactions on a given claim.

The Department of Labor cited no objections to these projects beyond an unsupported assertion that they "no longer effectuate the Department's priorities." On July 23, after appealing the termination of these critically necessary funds, DWD received a letter from Thomas Kodiak, Chief Grant Officer in the Employment and Training Administration, that acknowledged the appeal while restating the Department's earlier basis for termination.

I am writing to respectfully urge you to reconsider this decision, given the critical need to continue Wisconsin's work to modernize its UI systems and protect the integrity of its claims process by reducing fraud, waste, and abuse in Wisconsin's UI program, which I understand to be a priority for the Trump Administration. An objective consideration of Wisconsin's UI modernization process underscores both its necessity and the urgency of restoring the previously allocated funding. Furthermore, the history of Wisconsin's UI system indicates that, absent the completion of modernization efforts, a future economic downturn and spike in unemployment claims could once again overwhelm the system and create acute hardship for Wisconsin families. To be clear, if the Trump Administration does not reverse course and provide the $29 million Wisconsin expected to receive, the state will not be able to complete its UI system modernization project, which is designed to use innovative tools to help efficiently and effectively prevent benefit fraud and abuse.

It is our obligation to prevent this scenario from coming to pass. I urge you to reverse the decision to defund these critical government efficiency and fraud prevention initiatives to ensure Wisconsin can continue our years of work on modernizing our UI system.

Respectfully,

Tony Evers
Governor