Tony Evers

Office of the Governor | State of Wisconsin

July 10, 2026

The Honorable Keith E. Sonderling
Secretary-designee
United States Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

Dear Secretary-designee Sonderling:

I write today in response to your June 17 letter and the U.S. Department of Labor's (DOL) July 6 correspondence in which you recklessly and irresponsibly threatened to withhold administrative funding for Wisconsin's unemployment insurance program.

Since you are newly appointed to the Trump Administration, I want to first make you aware of several letters and pieces of correspondence addressed to your predecessor that have repeatedly gone ignored relating to tens of millions of dollars Wisconsin is owed to prevent fraud, waste, and abuse in our unemployment insurance (UI) system. The Trump Administration is continuing to illegally withhold $29 million from Wisconsin that we should be using to help finish modernizing our UI systems and improve technology to help detect and prevent fraud.

I am sure you can imagine my frustration then when, after consistently ignoring my requests to provide nearly $30 million Wisconsin is owed to help address fraud, the Trump Administration sent letters threatening states, including Wisconsin, for failing to take certain steps to address fraud. The irony is not lost on me, nor do I imagine it is for the Wisconsinites who have been following this issue closely for years.

Instead of simply giving Wisconsin the funding we have repeatedly asked your administration to stop withholding from us, now the Trump Administration is telling states, including Wisconsin, that the Trump Administration may withhold *even more funding than the nearly $30 million you are already withholding from us*. More specifically, unless Wisconsin and other states adopt UI standards set by the Trump Administration that are calculated using misleading data and substandard analysis that make it easier to falsely accuse states of failing to prevent widespread fraud and protect taxpayer dollars, the Trump Administration will penalize us, making it even *harder* for us to continue doing the exceptional work we already are in Wisconsin to prevent fraud, waste, and abuse.

And let me be clear: Wisconsin has been a national leader in preventing fraud, waste, and abuse in our UI system during my time as governor. In fact, as I have previously noted in correspondence to the Trump Administration, under my administration, Wisconsin has positioned itself to be one of the strongest-performing unemployment insurance programs in the nation. Since our modernization effort began, Wisconsin's unemployment insurance program has been audited nine times over the course of three years and has had zero identified instances of previously undiscovered fraud.

As governor, I take preventing fraud, waste, and abuse and ensuring the appropriate use of taxpayer dollars very seriously. Indeed, after decades of neglect from my predecessors, my administration made significant progress in fixing our archaic UI system, using innovative, first-of-their kind solutions to help reduce benefit fraud. Wisconsin became a leader among states in modernizing its UI systems to support program integrity efforts.

It is for this reason that I write today to correct your flat-out wrong characterization of unchecked fraud in Wisconsin's UI program, highlight my administration's efforts to prevent waste, fraud, and abuse in the UI system and—for the fourth time—to write to the Trump Administration to implore you and President Trump to reverse the baseless decision to terminate federal funding awarded to Wisconsin to modernize our UI system.

Here's the bottom line: if the Trump Administration is serious about cracking down on preventing fraud, waste, and abuse, then stop withholding the tens of millions of dollars in investments that states like Wisconsin were counting on to help do so and stop using junk data to threaten us with even more cuts to our fraud, waste, and abuse prevention efforts. It's pretty simple.

IMPROPER PAYMENT RATE

The performance metrics that the U.S. DOL is using to accuse Wisconsin and other states of unchecked fraud in UI programs are calculated from small samples of actual unemployment cases and do not account for variance among states' UI laws, actions already underway to reduce improper payments, or the success of UI programs to recover improper payments. But even U.S. DOL's own flawed performance data for state UI programs shows that Wisconsin's UI fraud rate has been consistently below the national average during both the Biden Administration and the first year of the Trump Administration (the most recent year the data is available). In fact, U.S. DOL's data has Wisconsin one to five full percentage points below the national average. Throughout that time period, Wisconsin's fraud overpayments have been a small fraction of the total benefits it pays out: UI fraud payments in 2025 were just 0.51 percent of total benefit payments, and the percentage of fraud payments has been less than two percent every year since 2021.

Notably, the improper payment rate that U.S. DOL is highlighting is not a fraud rate. The improper payment rate includes overpayments that were made due to unintentional errors that are often corrected after a payment is made. Many states, like Wisconsin, have inflated improper payment rates due to the higher number of work search actions state law requires for claimants to remain eligible for unemployment benefits. Wisconsin UI claimants must perform four work search actions during each week they would like to claim unemployment benefits. If a claimant fails to submit acceptable documentation or conduct the required work search activities, they may not be eligible for benefits, and benefits could be considered overpaid for that week. In Wisconsin, the vast majority of improper payments referred to in your June 17 letter are caused by these very work search issues.

In previous correspondence, U.S. DOL has even acknowledged Wisconsin's required work searches drive its improper payment rate. In a 2016 letter, U.S. DOL stated that the "largest component of Wisconsin's improper payment rate is work search errors." U.S. DOL further explained why work search errors necessarily lead to improper payments pending adjudication, writing: "If a work search error is detected, the necessary notice and fact finding, validation with employers, and making a determination cannot be completed before a payment is due." At that time, U.S. DOL "acknowledge[d] the structural nature of work search errors mean[s] the vast majority of them cannot be prevented before payment has already occurred."

In other words, Wisconsin has an obligation to make timely payments to conform with federal requirements even though it may later be found that the payments were improper. Federal conformity requirements and state work search laws set Wisconsin up for an inflated improper payment rate. If work search were not included in the improper payment rate, Wisconsin's rate for calendar year 2024 would have been 5.48 percent, and for 2025 would have been 5.91 percent, well below the U.S. DOL's expected 10 percent threshold.

In fact, my administration has implemented new methods to improve upon the improper payment rate. In April 2026, Wisconsin joined 22 other states to issue warning letters to UI claimants the first time they are found not to have successfully completed their work searches, providing an opportunity to educate claimants and encourage compliance with the work search requirements.

FRAUD RECOVERY

Moreover, the dollar amounts U.S. DOL cites as taxpayer dollars lost to fraud overpayments are exaggerated because overpayments recouped by the states are not reflected in the improper payment amount. Wisconsin successfully recovers most overpayments made to UI claimants, including 88.2 percent of fraud overpayments and 85.2 percent of non-fraud overpayments. In 2025, Wisconsin ranked tenth in the nation and third out of 10 states in its U.S. DOL region for total overpayment recoveries. My administration has recovered $27.2 million in state and federal fraud and non-fraud overpayments, including $2.6 million in debts older than five years.

TERMINATED FEDERAL GRANT FUNDING

Not only are these accusations of rampant fraud not based on sound data or analysis, but it is noteworthy that in May 2025, U.S. DOL terminated $675 million in federal grant funding nationwide, including $29 million in Wisconsin, that would have been used to help Wisconsin and other states modernize UI systems and advance technology to detect and prevent fraud. This funding termination halted work on some of the most critical UI modernization and anti-fraud prevention projects, including:

- $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.

Since this funding was terminated, my administration has repeatedly urged the U.S. DOL to restore grant funding so we may continue our state's UI program modernization project. U.S. DOL declined to reinstate the grants in July 2025, writing that the grants no longer "effectuate agency priorities." Following that decision, we explained in detail in a letter to your predecessor dated August 12, 2025, that terminating this funding would seriously hurt our efforts to identify and combat fraud in Wisconsin. When no action was taken by U.S. DOL, in February 2026, I appealed directly to President Trump to reverse course and restore this funding. And in a letter dated April 30, 2026, I wrote to request that you take the action that your predecessor would not and restore the federal funding to allow Wisconsin to retain its ability to successfully and effectively prevent fraud, waste, and abuse in our UI system.

Your June 17 commitment to "use every resource necessary to fight fraud" in state UI programs lacks teeth. To date, I have not received a response to my April 30 letter indicating you would restore the critical resources to prevent fraud, waste, and abuse that were terminated in May 2025. Furthermore, the threat to withhold administrative funding would only further inhibit program integrity efforts. The department uses many tools in conjunction with the tools outlined in Deputy Assistant Secretary for Unemployment Insurance Luke Timmons' letter dated July 6 to prevent and combat fraud in the UI system. The tools already utilized are in addition to claimant and employer education to try to prevent fraud from happening and to detect fraud when it does occur. Detection tools and prevention methods implemented by the department also assist in identifying non-fraud overpayments. The department uses its talented staff, communicates with employers, performs various interagency crossmatches, embraces recommended prevention tactics, and employs several other methods to detect and prevent erroneous payments.

Wisconsin pioneered the nation's first unemployment system in 1932, and my administration continues to lead the way today as one of the strongest-performing UI programs in the nation. Wisconsin's stewardship of the program is evidenced by Wisconsin's robust UI trust fund balance of approximately $2.3 billion. My administration remains committed to our efforts to prevent fraud in our UI system, and I once again urge you to restore terminated modernization grants and fully fund the states' program integrity efforts. I would also appreciate a meaningful response to my several formal correspondences regarding this issue.

Respectfully yours,

Tony Evers

Tony Evers
Governor