September 16, 2021

Dear Members of the Unemployment Insurance Advisory Council:

In 2016, the Council and Legislature approved a law authorizing a 0.01% assessment of employers for program integrity efforts, which is offset by a corresponding reduction in the solvency tax. This assessment maintains funding for anti-fraud and other program integrity efforts.

The law requires me to consult with the Council and to consider the balance of the Unemployment Insurance Trust Fund before approving the assessment. The assessment notice must be published by November 30.

In weighing the need for continued funding of program integrity efforts with Trust Fund balance, I recommend that the Department invest the 0.01% assessment into the Program Integrity Fund, which will allow the Department to continue all current program integrity operations with no corresponding tax increase on employers.

In making this recommendation, I considered the following:

- The amount that would be generated for the Program Integrity Fund from this assessment is projected to be $3.3 million for the year. This represents about 5.7% of the annual base federal UI administrative grant.
- While US-DOL may provide above-base UI operating funding, we are still experiencing significant operating expenses due to pandemic-related staffing increases.
- The Trust Fund balance on September 1, 2021 was about $952 million. The projected assessment amount represents about 0.35% of this balance.
- There has been an unprecedented number of sophisticated, coordinated attempts of criminals to target Wisconsin’s UI system and file fraudulent claims. Most states faced an onslaught of scams, often perpetrated by international crime rings. Much of DWD’s fraud prevention work in 2020 was focused on preventing criminals from using stolen information to access our claims system and on protecting the identities of people who have filed legitimate claims. Investing funds in program integrity is especially important now.

The Department intends to continue placing a priority on program integrity and anti-fraud efforts. To this end, I believe the use of the 0.01% assessment to fund integrity efforts continues to be warranted.

The Department will use these funds to continue its program integrity efforts like fraud investigations, worker classification enforcement, worker classification public outreach efforts, identity verification and cross-matching efforts, and investigation and prosecution of criminal UI fraud.

I would appreciate your continued support for this proposal, which you have given each year since 2017. I value your consideration and service to the Department and the citizens of Wisconsin.

Sincerely,

Amy Pechacek
Secretary-designee