MEMORANDUM

TO: VERMONT LEGISLATIVE JOINT FISCAL OFFICE
FROM: DANIEL SMITH / P&C SOFTWARE SERVICES, LLC
SUBJECT: H.196 – PAID FAMILY LEAVE BILL – IT COST ESTIMATE
DATE: APRIL 14, 2018

The following information is provided in response to Joyce Manchester's request of April 12th for a cost estimate to implement the Paid Family Leave (PFL) program using an Information Technology (IT) system. Based on the limited information currently available, such a system might cost between $2,000,000 and $80,000,000. The low end of the range represents the minimum possible functionality (receive contributions, make payments), while the upper end represents a system that can perform all currently conceivable functions. Such a system would essentially be a complete Integrated Eligibility system that only handles a single program. Under the assumption that an actual PFL system would be more capable than the absolute minimum, but be something less than a full IE system, projected development, test, deployment, and initial operation costs of such a system might be in the range of 10 to 15 million dollars. However, actual costs could vary wildly in either direction depending on the final specification of the system requirements as described below. The uncertainty in cost is closely related to uncertainty in schedule, as a more complex system that costs more will almost certainly take longer to develop and deploy.

The difficulty in preparing an estimate for PFL system costs arise from the fact that there is currently no clarity on which functions are required or optional, and of those functions which would be performed by an IT system and which would be performed by staff. Consider the ambiguities in the application process as described in H.196:

- An employee fills out a form (online or manually?);

- The form is accepted by the DOL (accepted by the system, or by staff?);

- The employee is validated as a qualified employee of a defined employer (by the system or by staff?);

- The application is checked to ensure that the employee has not already exceeded the annual PFL limit (checked by the system or by staff?);

- The application is approved or rejected (by the system or by staff?);

- The notification of approval or rejection is prepared and transmitted (by the system or by staff?);

- The reconsideration process is followed for aggrieved applicants (almost certainly by staff, but possibly recorded in the system).

Without knowing which steps must be performed by the IT system, there is no way to estimate the cost of such a system. Those functions that are not included in an IT system must be performed by staff, with a corresponding increase in the number of staff required to support the PFL program and a corresponding increase in personnel costs.

The full list of functions that are required to support a PFL program, performed by either an IT system or by staff, cannot be developed based solely on the text of the current bill. However, if the PFL program was automated to any degree, probable system functions would include as a minimum:

- The ability to receive employer contributions and transfer them to the Parental and Family Leave Insurance Special Fund (§ 572);

- The ability to expend benefits from the Parental and Family Leave Insurance Special Fund to approved individuals (§ 573).

Based on the text of H.196, additional functions that may be performed either by a PFL IT system or dedicated State staff would almost certainly include:

- Determining which employers must contribute to the Fund (§ 571);

- Determining the proper amount of employer contribution based on employee pay (§ 572, initially "0.141 percent of each employee's covered wages");

- Confirming that the proper amount was received by the Fund (§ 572, frequency not specified; "in a form and at times determined by the Commissioner");

- Acceptance of employee applications for Paid Family Leave (§ 574, "A qualified employee shall file an application for Parental and Family Leave Insurance benefits with the Commissioner under this section on a form provided by the Commissioner");

- Review, validation and approval of employee applications (§ 574, "The Commissioner shall determine whether the qualified employee is eligible"…);

- Reconsideration processing for those employees whose applications were denied (§ 574);

- Payment from the Fund to approved individuals at the appropriate amount (§ 574, "80 percent of his or her average weekly wage or an amount equal to a 40-hour

workweek paid at a rate double that of the livable wage"), with the appropriate tax withheld (§ 574).

Additional functions or capabilities that are not specified by H.196 but may be required or desired include, but are not limited to:

- Rules engine capabilities to allow modification of PFL criteria (specification of applicable employers, qualified employees, eligibility, amounts, frequencies, etc.);

- Notification to employers when expected contributions are not received;

- Notification to employees when their application has been approved or denied;

- Notification to employees if they are reaching the limit of allowed PFL (6 weeks of PFL in a 12 month period);

- Secure electronic transfer of contributions into the fund;

- Secure electronic payment from the fund to approved employees;

- Secure collection and storage of personally identifiable information (PII) from employees in support of application, validation, notification, and payment functions;

- Automatic notification when the fund balance is below some preset level;

- Fraud detection and response;

- Document management (storage of forms, notices, etc.);

- Business analytics functions (reports, predictions, etc.).

Before any estimate can be developed with any degree of confidence, and before fixed schedules for implementation of the PFL are specified, the system requirements should be developed and approved. From there, the normal Request for Information (RFI) process should be followed to determine the feasibility of proceeding with actual development.