

State of Vermont
Department of Labor
5 Green Mountain Drive
P.O. Box 488
Montpelier, VT 05601
labor.vermont.gov

[telephone]

802-828-4301

MEMORANDUM

TO: House Committee on Commerce and Economic Development
Senate Committee on Economic Development, Housing and General Affairs
Legislative Information Technology Consultant

FROM: Michael Harrington, Commissioner, Department of Labor
Shawn Nailor, Secretary, Agency of Digital Services

DATE: January 19, 2023

SUBJECT: Unemployment Insurance Modernization Report, Act 183

EXECUTIVE SUMMARY

The Department of Labor and the Agency of Digital Services have been diligently working to identify the vendor for development and implementation of Vermont's future, modernized unemployment insurance (UI) technology system. Upon selection and execution of a contract, we will be in a position to update the committees on a timeline for implementation of the changes enacted in Act 183 (2022). As of the writing of this report, the State is currently moving through the procurement process, which can take anywhere from 18-24 months. Upon execution of a contract with the winning bidder, the vendor will provide the State with a roadmap and timeline for completion of the project. Based on the proposals received, it is likely that the implementation of the new system will be iterative, with various functions being launched in a preplanned sequence. However, it is highly unlikely that a new modern system will be fully implemented by the effective date of Act 183, which is July 1, 2025. Therefore, we request that the General Assembly amend the effective date related to the changes to the UI weekly benefit amount as outlined in the above act to better align with the implementation timeline of this project.

INTRODUCTION

Section 52f of Act 183 (2022) requires the Department of Labor (Department) and the Agency of Digital Services (ADS) to submit a report detailing the actions taken and progress made in developing and implementing "a modernized information technology system for the unemployment insurance program so that the modernized system is ready and able to implement on or before July 1, 2025 the changes to the unemployment insurance weekly benefit amount set for in" Act 183, Sec 52e.



The report shall detail the actions taken and progress made, the anticipated timeline for being able to implement the changes in Act 183, and potential implementation risks identified during the development process.

This report is being submitted to the House Committee on Commerce and Economic Development, the Senate Committee on Economic Development, Housing and General Affairs, and the Legislative Information Technology Consultant retained by the Joint Fiscal Office in satisfaction of this request.

UI MODERNIZATION UPDATE

The General Assembly has identified 33.5 million dollars for the modernization of the State's unemployment insurance system. Initially, for FY 22, the State provided 3.5 million dollars for Phase 1 of the UI modernization roadmap. This Phase 1 was intended to focus on modernizing the customer facing portals, both claimant and employer, for the UI system. This money had to be approved by the Joint Information Technology Oversight Committee (JITOC) prior to the Department and ADS moving forward with Phase 1 work. Separately, in early 2022 and as part of the FY 23 budget, the General Assembly appropriated the necessary 30 million dollars to modernize the remaining Phases of the UI modernization roadmap.

The JITOC approved the expense of Phase 1 funds as part of the FY22 budget appropriation. Following the initial appropriation, the Department and ADS moved to issue a request for proposal (RFP) for Phase 1 development only, as the funding for the underlying system had not yet been appropriated. This RFP was issued on March 7, 2022. Upon receipt of the responses to that RFP it was apparent that the General Assembly was likely to appropriate the funds needed to modernize the full UI system. Therefore, upon review of the RFP responses for Phase 1, and knowing that it would be more advantageous for Vermont to have one RFP for a complete UI system as opposed to two separate contracts (one for Phase 1 and another for the remaining Phases), the Department and ADS chose to discontinue the procurement for Phase 1 and instead reissue an RFP for proposals of a complete UI system. The thought process behind this is that Vermont was likely to get more qualified bidders, and with more competitive pricing, if the full project was put out to bid.

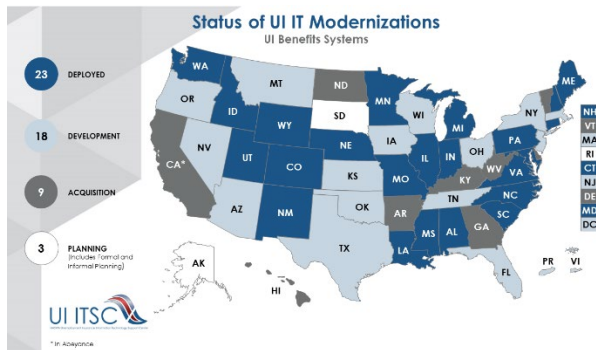
In August 2022, the Department and ADS reissued an RFP for a complete UI system, including all necessary functionality. Over the past five months, the review team, made up of both business and technical experts, has been reviewing the RFP responses, hosting vendor presentations, and analyzing proposed budgets and timelines. As of the writing of this report, the Department and ADS are working towards having a vendor selected within the next 45 days, at which time contract negotiations will begin.

Without a contract in place, the Department cannot speculate on an anticipated timeline of completion. With that said, based on the responses to the most recent RFP, the State can anticipate a 24-36 month development cycle. This timeline should not be considered absolute as large-scale IT projects are known

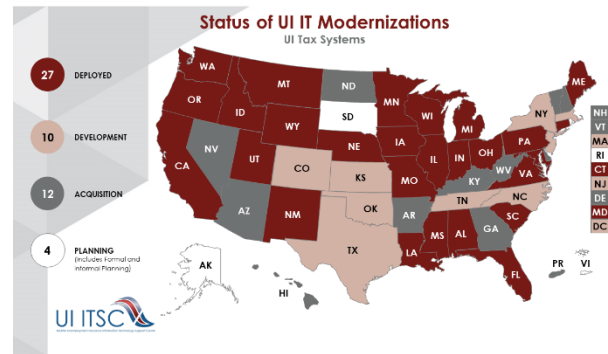


to flex based on issues and risks raised during a project development cycle. The Department and ADS will know more once a contract is in place with a selected vendor.

Below are two visuals provided by the National Association of State Workforce Agencies (NASWA) identifying the various UI modernization efforts across the country. As you can see a majority of states are in some stage of modernization from planning to deployment. The figures below break the UI system in to two functional areas, Benefits and Tax. Most states have the same vendor for both; however, some have chosen to use a different vendor for each area. Unemployment Insurance as a program is one of the most complex because it braids both federal regulation and state law, and there are only a handful of vendors with a proven solution on the market.



(Figure 1 – UI Benefits Modernization by State)



(Figure 2 – UI Tax Modernization by State)

RECOMMENDATIONS

As of the writing of this report, there are no significant implementation risks given that we are still in the procurement phase of the project. However, the Department and ADS would like to point out that the changes to the unemployment insurance weekly benefit amount that were enacted in Act 183 have an effective date of July 1, 2025, regardless of whether the State has implemented a new modernized UI system as of that date. Both the Department and ADS have consistently testified on the record that the current mainframe system is incapable of making these changes in accordance with federal law. Given where we are with the contracting and development process for a modernized system, it is highly unlikely that the Department and ADS will be in a position to implement the necessary changes to the weekly benefit amount outlined in Act 183 by July 1, 2025. Therefore, we ask that the General Assembly remove or delay those dates to prevent unnecessary legal risks to the Department of Labor that would occur in the event that date comes to pass without a new modern UI system in place capable of implementing those changes.

