



Office of the City Administrator

Rashad M. Young, City Administrator



Implementing Paid Leave

Testimony of Rashad M. Young, City Administrator

**Before the
Committee of the Whole
October 10, 2017**



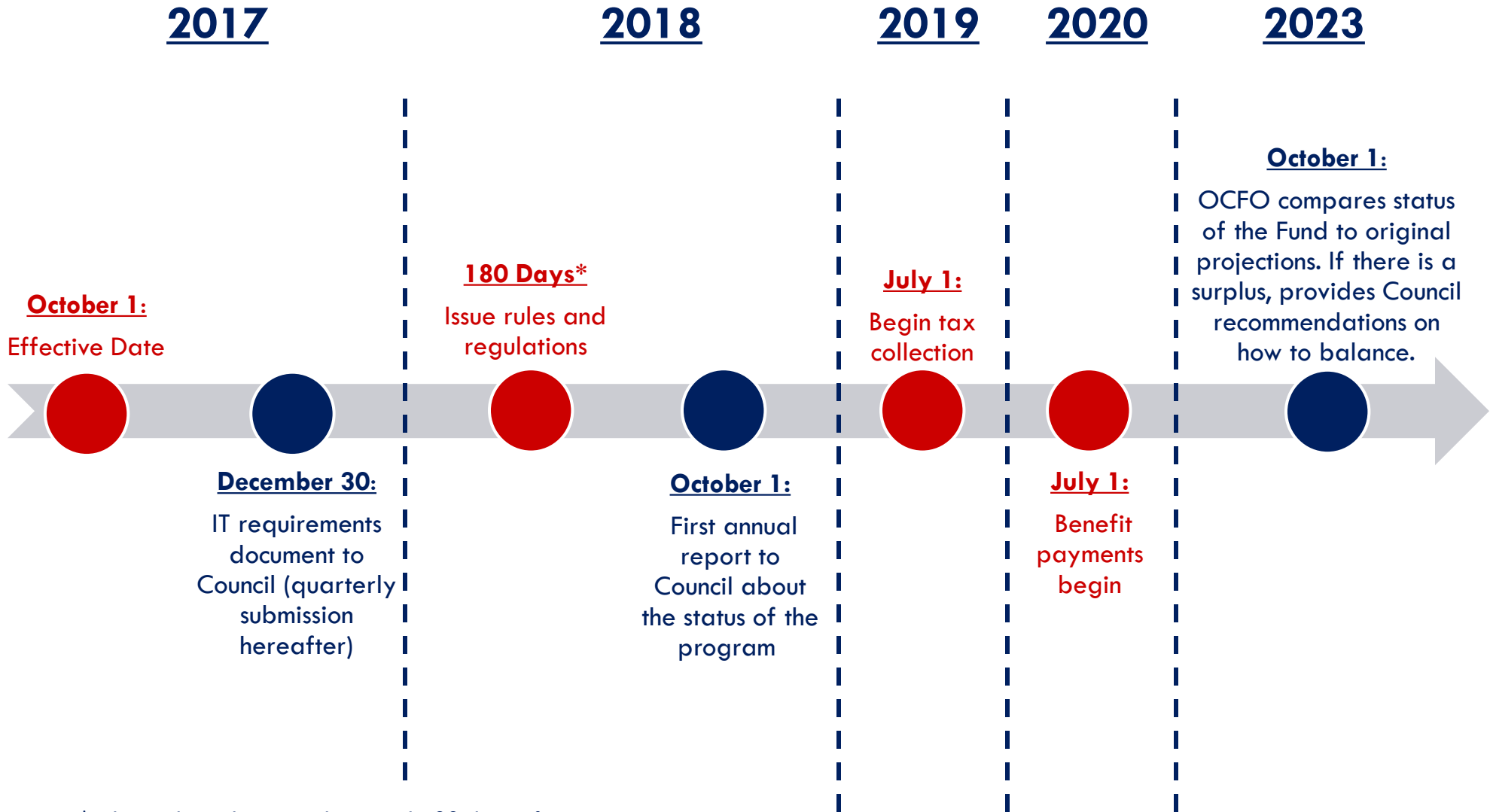
Program/benefits overview

	Paid Leave Act
Administration	District run program, to include: tax collection, claim receipt and verification, and benefit payment
Tax Rate	0.62% payroll tax on employers
Benefits Duration (event) 1. Medical 2. Family 3. Parental	1. 2 weeks (care for oneself) 2. 6 weeks (care for a family member) 3. 8 weeks (care for a new child)
Wage Replacement	90% of 150% of minimum wage; 50% of earnings in excess of 150% of minimum wage
Weekly Max	\$1,000; beginning 2021 annually adjusted according to CPI
Eligible for Benefit	Private sector workers employed in District (excludes District and federal government employees); self-employed may opt in; more than 50% of work must occur in District





Legislation timeline: key dates



*Rules and regulations to be issued 180 days after the legislation's effective date; legislative clarity is a prerequisite for drafting and issuing rules and regulations





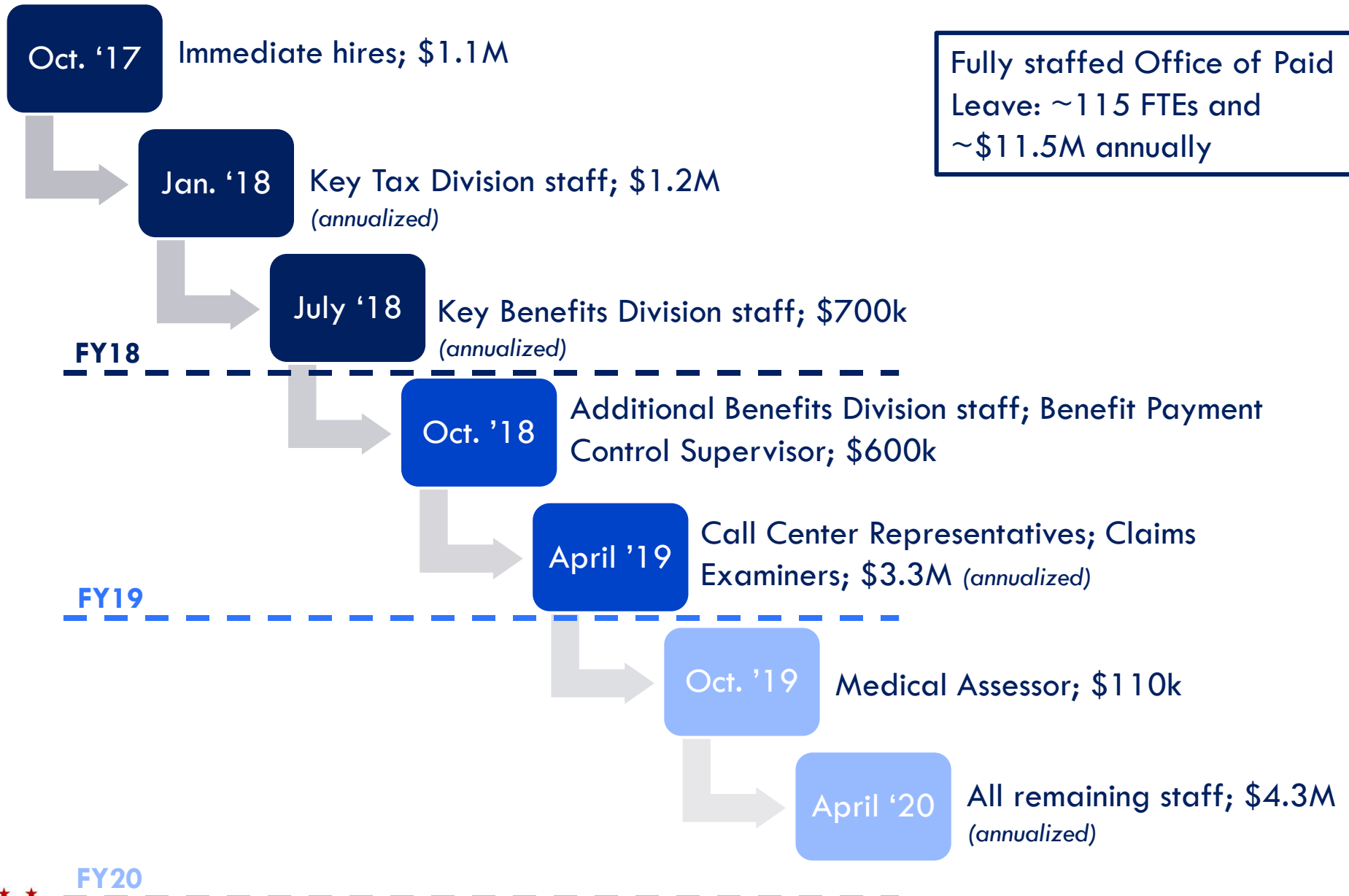
Paid leave implementation working group

- OCA convened a working group of key District agencies to develop and recommend operational guidance, including recommendations on:
 - *program administration;*
 - *tax collection and benefit payment processes;*
 - *technology system requirements (high-level) and procurement method;*
 - *staffing;*
 - *space; and,*
 - *marketing and outreach.*
- Working group agencies: OCA, DMGEO, DOES, OCTO, OCFO, OCP, DGS, OHR, and DCHR
- Outside of the working group, OCA has engaged with 18F, paid leave advocates, and other relevant stakeholders
- DOES and OCTO have each engaged w/their counterparts on paid leave in California, Rhode Island, New Jersey, and New York to discuss programmatic and technology best practices respectively





DOES staffing; phased onboarding plan





FY18 implementation activities

- In FY18, the core team will be tasked with planning and building the framework for an Office of Paid Leave that will be responsible for:
 - tax collection;
 - claim review and benefit disbursement; and,
 - enforcement, including fraud prevention and detection.
- Note, there is no existing administrative foundation to leverage; the full office is being built from the ground up
 - *All other states w/paid leave had temporary disability insurance frameworks to leverage*

Program Structure

- Establishment of Tax Division
- Development of communications plan
- Finance management
- Planning for: Benefits Division; reporting on program performance; staff training; and other items

Policy Development

- Development of standard operating procedures
- Development of procedural requirements

Tax System

- Development of system requirements
- Vendor research
- Procurement
- Development of business requirements and processes
- System configuration
- User acceptance testing





Space for the paid leave program

- The working group explored two primary options for housing the new paid leave program:
 1. Leverage District-owned space; or
 2. Lease space on the open market
- The working group preliminarily determined that the owned space option is preferable, as:
 1. It is advantageous based on cost and timing considerations
 2. The lead time for buildout is significantly shorter
 3. The District has owned facilities to leverage
- Note, DOES is able to accommodate a small number of employees at the 4058 Minnesota Ave facility (current headquarters) on a temporary basis before full buildout is complete





Marketing & outreach



	Likely Activities	Budget
FY18	<ul style="list-style-type: none">• Factsheets, notice to employers, outreach and education, trainings	\$200,000
FY19	<ul style="list-style-type: none">• Continued notice to employers, metro ads, print ads, digital, outreach and education, trainings	\$350,000
FY20	<ul style="list-style-type: none">• Metro ads, publication ads, digital, trainings, outreach and education	\$500,000





Information technology overview

- The administration has connected with CA, NJ, RI, and NY and performed initial market research; findings:
 - There are no commercially available software products
 - States leveraged existing temporary disability insurance (TDI) systems
 - *DC does not have TDI framework to leverage*
- OCTO has developed rough order of magnitude cost estimates and is exploring all potential development options, including customizing commercial off the shelf products, OCTO enterprise solutions, and outside developers building the systems
- Working group has also engaged 18F and other outside parties on paid leave technology



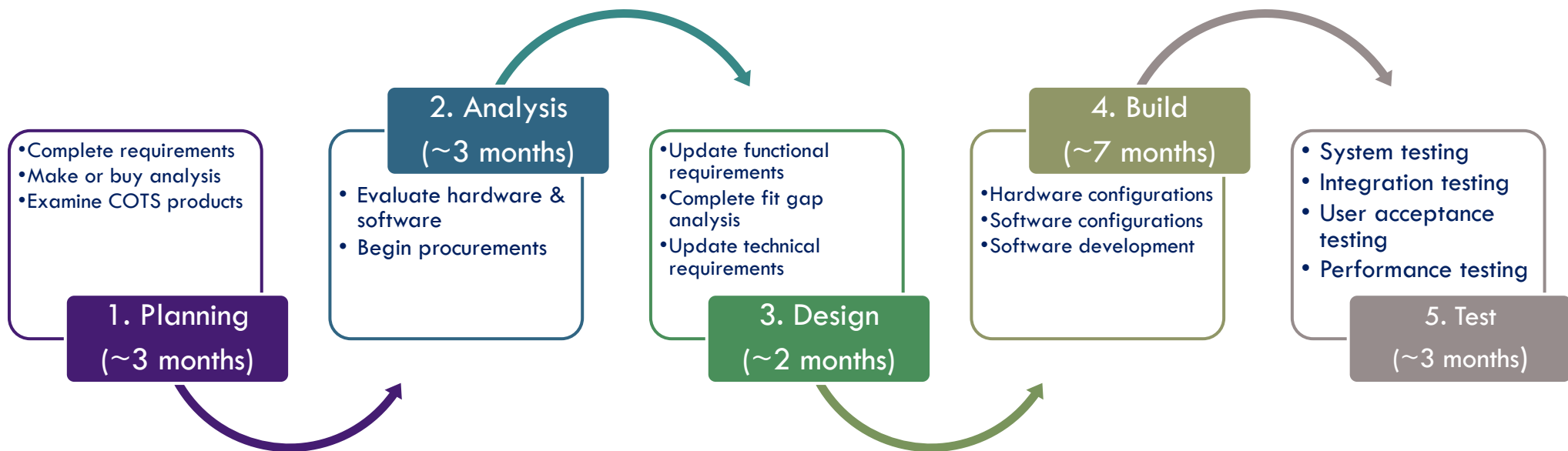


Information technology: process and timing

In advance of deploying the required paid leave technology systems – 1. tax collection and 2. benefit receipt, review, and payment – there are a number of activities that must be accomplished

- Legislative certainty is prerequisite for a number of these steps

The December 31 technology update report and requirements document will provide additional details



Once testing is complete, the system will be deployed; OCTO anticipates deployment to take ~1 month

Paid leave consists of two modules; development of each module adheres to the above process



Implementation challenges

1. Budget*:

- Significant operating and capital funding gaps in FY18 and FY19.
 - *Several million dollars in each year.*
- Preliminary technology cost estimates exceed \$40M.

2. Delay:

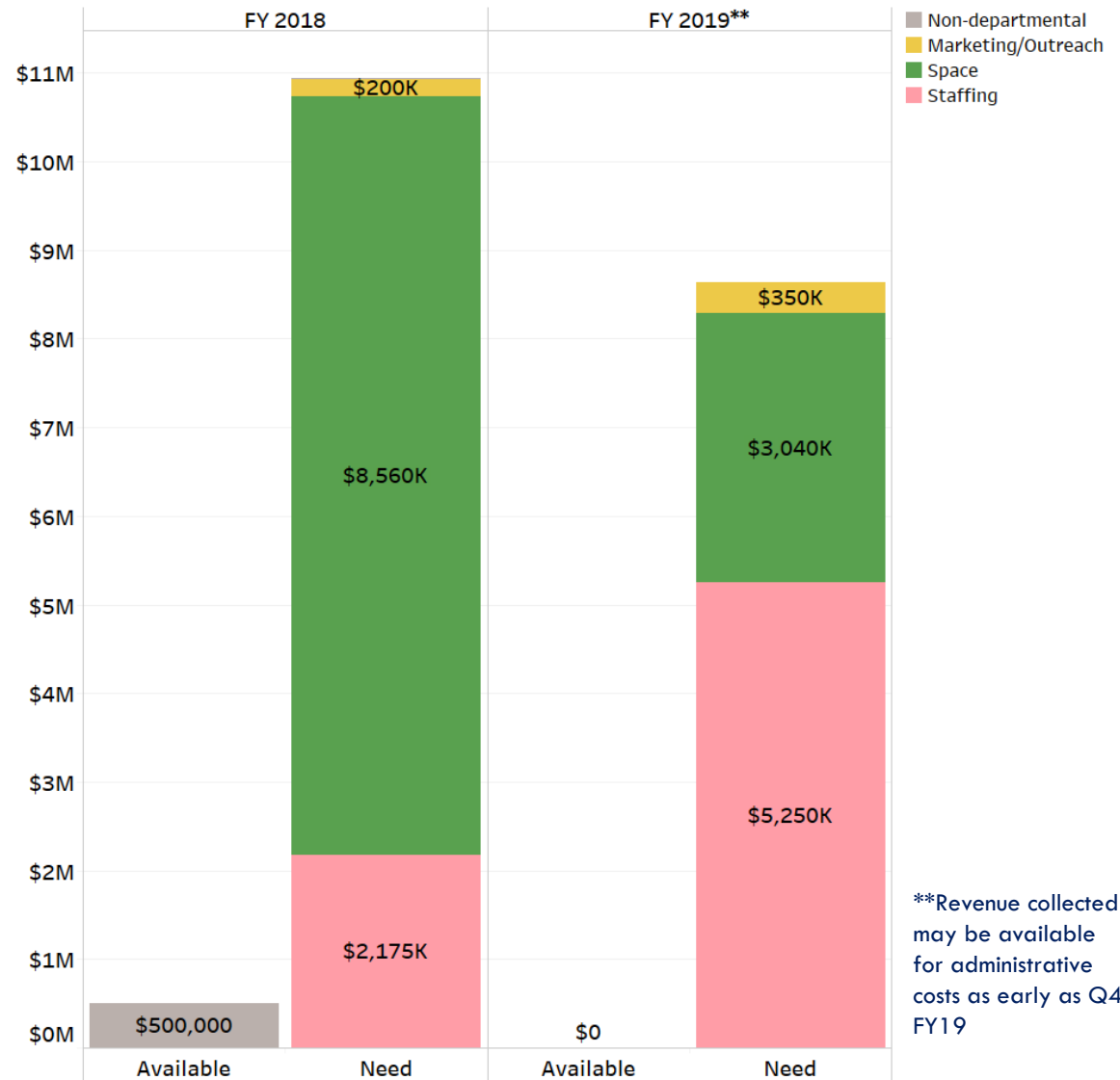
- Uncertainty about the final form of the PFL program delays our ability to move forward with key implementation steps.
- Changes to the current law will require us to reanalyze working group issues.

3. Legislation:

- Potential implementation issues related to the text of the current law (drafting issues).
- Hope to address them through regulations and procedures, but may need legislative fixes.

*In FY20, the paid leave program will be funded via the 0.62% payroll tax. Program costs are anticipated at ~\$19.3M; that includes staffing (~\$11.5M); technology (~\$6.5); OHR enforcement (~\$550k); marketing/outreach (~\$500k); and space (~\$230k).

Preliminary Estimates of Start-up Costs



**Revenue collected may be available for administrative costs as early as Q4 FY19





Goals for paid leave program

1. Robust paid leave benefits for -- and no financial burden on -- District residents

2. Impact on District employers is sustainable and does not discourage companies from creating jobs in the District

3. Paid leave program structure that can be effectively and efficiently administered

