

Report of the Unemployment Compensation Modernization and Improvement Council to the Legislative Coordinating Council

CHAIRPERSON: Representative Sean Tarwater

OTHER MEMBERS: Senators Rob Olson, Jeff Pittman, and Caryn Tyson; Representatives Stephanie Clayton and Susan Estes; and Peter Brady, Katie Givens, Phil Hayes, Jake Miller, Jeff Oswald, Shelbye Smith, and Shawana Woods.

CHARGE

The Council is charged with, in consultation with the Secretary of Labor, examining and recommending changes to the unemployment compensation information technology system, including, but not limited to, the new system's components, features and benefits, program integrity elements, technological infrastructure, and information sharing across agencies. Section 8 of 2021 Senate Sub. for Sub. for HB 2196 provides for the Council to review the information technology system, technology, and platform specifications pursuant to the provisions of Section 2 of 2021 Senate Sub. for Sub. for HB 2196, and make a recommendation to the Legislative Coordinating Council.

July 2021

Report to Legislative Coordinating Council

Conclusions

The Council recommends that the modernized information technology system moves the unemployment compensation system off of legacy technology, including the mainframe computer and outdated coding languages. The Council recommends the modernized system be as “off the shelf” as possible and implemented in a phased approach, starting with benefits, appeals, workforce services, and customer relationship management, and then tax.

The Council makes detailed recommendations concerning the characteristics and attributes, components, and features and benefits of the modernized system.

The Council makes several recommendations regarding considerations for the timing of implementation of the modernized system, but does not yet recommend extending the statutory deadline of December 31, 2022 for implementation of the modernized system.

The Council notes the current status of procurement is impairing the Council’s ability to effectively make a recommendation concerning the procurement of the modernized system.

The Council recommends the State receive information from and consider potential qualified vendors beyond those that responded to the request for proposals for the modernization project, if legally permissible pursuant to the State procurement process.

Proposed Legislation: None.

BACKGROUND

Section 8 of 2021 Senate Sub. for Sub. for HB 2196 (HB 2196) prohibits the Kansas Department of Labor from entering into a contract for modernization of the unemployment compensation system until the Unemployment Compensation Modernization and Improvement Council (Council) has reviewed the information technology system, technology, and platform specifications pursuant to Section 2 of HB 2196 and made a recommendation to the Legislative Coordinating Council (LCC) and the LCC has reviewed any such specifications and recommendations. Upon receiving a report from the LCC regarding its review of the Council’s recommendations, the Department of Labor is authorized to enter into the modernization contract.

The LCC review is required to occur within 60 days of the close of the request for proposals for the Department of Labor modernization project. The relevant request for proposals closed on May 28, 2021.

Due to the request for proposals process and procurement timing, this report should be considered preliminary, and the information and recommendations contained within it are tentative and additional recommendations will follow from the Council.

COMMITTEE ACTIVITIES

The Council reviewed the information technology system, technology, and platform specifications pursuant to Section 2 of HB 2196.

The Council was briefed by Council member Phil Hayes at its June 24 meeting on the provisions and requirements of HB 2196, which included a presentation and discussion of the system components and features and the benefits of a modernized unemployment compensation system. On June 25, Representative Kyle Hoffman, a member of the procurement negotiating committee for the Department of Labor unemployment compensation system modernization project, presented to the Council on the procurement process to date.

On July 12, the Council received a presentation from unemployment compensation personnel from the Nebraska Department of Labor concerning Nebraska's modernization approach. The July 13 meeting of the Council included a presentation on identification solutions from representatives of the identity verification company ID.me and a presentation from the Kansas Department of Labor staff on the unemployment compensation system modernization procurement scoring and evaluation process to date.

On July 22, the Council received a presentation from Geographic Solutions regarding the unemployment benefits and taxation system produced by that company, which is in use in several states.

On July 23, the Council received a further update on the status of the procurement process to date from members of the procurement negotiating committee and considered recommendations to the LCC.

CONCLUSIONS AND RECOMMENDATIONS

Following the Council proceedings to date and Council discussion, the Council made recommendations concerning the modernized information technology system, the timing of modernization, and the procurement process.

Information Technology System

As a foundational recommendation, the Council recommends that the modernized information technology system moves the

unemployment compensation system off of legacy technology, including the mainframe computer and outdated coding languages. The Council recommends the system be as "off the shelf" as possible in a phased approach, beginning with benefits, appeals, workforce services, and customer relationship management, followed by tax.

The Council recommends the modernized system:

- Be agile, adaptable, and scalable to changing circumstances, especially disaster situations and changes in state and federal law;
- Fully integrate claims, benefits, appeals, workforce services, customer relationship management, and tax and as many other elements as is practical;
- Maximize the real-time nature of adjudication and automate appropriate elements;
- Be transparent for claimants, employers, and the State and include comprehensive reporting and analytical capabilities;
- Maximize accessibility, including exceeding minimum compliance standards for all populations, including disabled populations and populations in rural settings and enable the use of the system by users with limited familiarity with modern technology;
- Comply with and exceed all existing security and fraud control standards and be malleable to incorporate future improvements to security and fraud control;
- Automate employer notification of a former employee's claim for unemployment compensation and reduce employer compliance burden to the greatest extent possible;

- Be able to fully integrate with all U.S. Department of Labor and National Association of State Workforce Agencies databases and services with as much automation as possible; and
- Include an improved, user-friendly interface that eliminates redundancies and functionally educates all users about the unemployment compensation system by explaining the meaning of common unemployment terminology.

The Council recommends the modernized system include, at a minimum, the following components:

- Component-centric architecture;
- Configurable;
- Results-driven customer empowerment;
- Extensibility;
- Reporting;
- Adaptable and scalable platform;
- Ability to roll back to previous versions;
- Change control;
- Multi-speed information technology;
- Data migration or data architecture; and
- Legacy integration.

The Council recommends the modernized system include, at a minimum, the following features and benefits:

- Efficient benefit claims and payment management:
 - Claims management;
 - Eligibility and payment processes;
 - Monetary and non-monetary determinations;
 - Overpayment and collections management;
 - Fraud prevention; and
 - Accounting and auditing;
- Integrated tax management functionality:

- Account registration;
- Tax and wage reports;
- Adjustments and payments;
- Delinquencies and collections;
- Tax audit assignments; and
- Tax performance systems.

- Comprehensive appeals filing and tracking:
 - Appeal filing and management;
 - Hearings and decisions;
 - Correspondence and notices;
 - Integrated workflow;
 - Self-service features; and
 - Federal reporting.

Modernization Timing

The Council notes that HB 2196 contains provisions that permit the LCC to extend the date by which a modernized system must be implemented and has discussed the likelihood of a need for such an extension.

However, the Council does not recommend an extension at this time.

Implementation Process

The Council notes the potential advantages and disadvantages to simultaneously implementing the entire unemployment compensation system or taking a phased approach that would separate the implementation of a modernized benefits system from a modernized tax system and recommends a phased process for implementation.

The Council also notes the potential issues associated with a January 1 implementation date as opposed to other possible dates, such as July 1 or October 1, but makes no recommendation concerning the implementation date at this time.

The Council also recommends that preparation for data migration work begin immediately by the Department of Labor.

Additional Modernization Considerations

The Council recommends that modernization consideration be given to issues beyond technology, including review and update of state statutes and rules and regulations.

Procurement Process

Process Requirements

The Council notes that the request for proposals (RFP) for the unemployment modernization system was issued on April 7, 2021, and closed on May 28, 2021, and further notes that the procurement negotiating committee is currently evaluating bids after having received initial scoring by Department of Labor subject matter experts and contacting reference states for bidders.

The Council notes that the provision of Section 8 of HB 2196 requiring LCC review of the Council recommendation within 60 days of the close of the RFP is impairing the Council's ability to effectively make a recommendation due to the current status of procurement and the Council being unable to directly review bids and receive presentations from bidders.

The Council notes its appreciation to the Department of Labor and the procurement negotiating committee in providing all available information and assisting the Council with a collaborative approach to identifying the best possible modernized system for Kansas.

Qualifications of Bidders

The Council also notes that certain elements of the RFP may have prevented qualified bidders from submitting a bid. The Council notes the request for proposals for the modernized system, as written, resulted in a low response rate from the vendors identified by the National Association of State Workforce Agencies as having successfully implemented a modernized system in other states. This low response rate may result in a modernized system that is not cost effective or is not the best solution for Kansas.

The Council notes that the Council received a presentation of a seemingly qualified vendor that did not respond to the RFP due to certain provisions within the RFP and recommends the State and Council receive live and interactive presentations and product demonstrations from vendors A and B and potentially consider vendors beyond those who have submitted bids in response to the RFP, if legally permissible pursuant to the State procurement process, especially those identified by the National Association of State Workforce Agencies as having successfully deployed a modernized unemployment compensation system in another state within the past five years.

Vendor Recommendation

Finally, the Council recommends, based on information provided by the Department of Labor and the procurement negotiating committee, the State not select either of the bidders that have been identified by the procurement negotiating committee as vendors C and D as both vendors would not be recommended for rehire by the states in which they operate.