



Q3 FISCAL YEAR 2019 REPORT

DC Paid Family Leave

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Purpose of the Report

The Department of Employment Services (DOES) is submitting the DC Paid Family Leave Q3 Fiscal Year 2019 report on behalf of the Executive pursuant to section 104 of the Universal Paid Leave Amendment Act of 2016 (D.C. Law 21-264; D.C. Official Code § 32-541.04).

This report provides an update on the status of the Bowser Administration's progress in implementing the Universal Paid Leave Amendment Act of 2016 ("Paid Leave Act" or "Act"). It further serves as the quarterly report required by the Paid Leave Act and explains in detail the requirements needed to develop all software necessary to administer the paid leave system established pursuant to the Act. This report also includes information on program administration, information technology (IT) procurement and development, staffing, marketing and outreach, critical program deadlines, research findings, and key considerations. The findings in this report capture all implementation activities from April 1, 2019 through June 30, 2019.

Background

The Paid Leave Act, which became District law in 2017, provides paid leave for employees who are bonding with a new child, providing care or companionship for a family member with a serious health condition, and/or caring for the employee's own serious health condition. To qualify for these paid family leave (PFL) benefits, an individual must be a part-time or full-time employee in the District, regardless of their residence, and must meet all of the requirements established by the Paid Leave Act. District government and federal employees are excluded from coverage under the Act. The Paid Leave Act allows for eight weeks of parental leave, six weeks of family leave, and two weeks of medical leave for every 52 weeks worked. The maximum weekly benefit amount is currently \$1,000 and is funded solely by a tax on employers. The current tax rate is 0.62 percent of the wages of each of the employer's covered employees or the annual self-employment income of a self-employed individual.

DOES has established the Office of Paid Family Leave (OPFL) to implement the District's PFL program. The OPFL is comprised of the Division of Tax (collection of taxes, premiums, contributions, fees, and revenue functions); Division of Benefits (claim filing, claim processing, and payment of paid leave benefits); Benefit Payment Control (prevention and detection of fraud and overpayments, as well as recovery of improper payments of benefits); Appeals (representing the OPFL at hearings on protested claims before the Office of Administrative Hearings); Medical (physician certifications); Contact Center (customer service); and Support (procedures, budget, studies, etc.). Staffing efforts are currently underway to ensure the timely delivery of all key program initiatives.

DOES established an internal working group to move each component of the District's implementation plan forward and appropriately prepare to administer the program. The internal working group established by the Administration consists of representatives from, but not limited to, the Executive of the Mayor (EOM), Office of the City Administrator (OCA), Office of the Deputy Mayor for Education (DME), Department of Employment Services (DOES), Office of Human Rights (OHR), Office of the Chief Technology Officer (OCTO), Office of the Chief Financial Officer (OCFO), Department of General Services (DGS), Department of Human Resources (DCHR), Office of Policy and Legislative Affairs (OPLA), and Office of Contracting and Procurement (OCP).

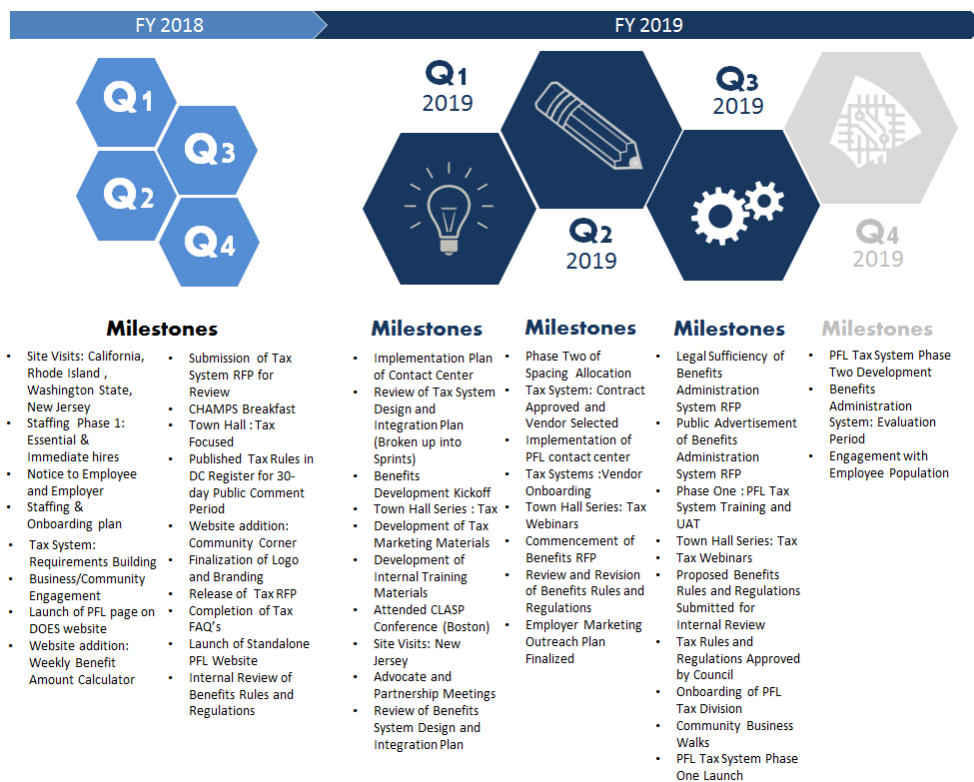
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The working group's goal was to create a detailed road map for implementing the Paid Leave Act, with a specific focus on the following areas:

- Implementation of the program; including regulations, tax collection, claims submission, claims review and benefit payment;
- Development of a more detailed budget for implementing the program; including personnel, operational and capital costs;
- Development of an IT plan for the creation of the payroll tax collection system and for the administration and payment of PFL benefits;
- Development of a plan for program staffing and the timelines associated with each cohort of hires;
- Determination of space plan in accordance with the needs identified; and
- Development of a marketing and outreach strategy for the PFL program.

Roadmap to PFL Implementation

DOES has worked tirelessly to ensure that District businesses have a clear understanding of their requirements to pay employer taxes and administer benefits to employees. OPFL is on track to meet both of its milestone deadlines: the July 1, 2019 deadline for collecting taxes and the July 1, 2020 deadline for administering PFL benefits to eligible employees. DOES is finalizing the testing of the online portal and collections system and training of internal and external users to gain comprehensive feedback prior to deployment. The two interoperable systems will work together seamlessly, integrating the core values of customer service, ease of use, and performance accuracy. Additionally, the District will complete the OPFL staffing plan and prepare for the full launch of the Tax Division. DOES remains on target to optimize the way OPFL interacts with employers and the way benefits are administered in the District.



Procurement

PFL TAX SYSTEM PROCUREMENT

On February 21, 2019, the DC Council approved the DOES's contract with Sagitec Solutions to develop and implement the PFL tax system. Sagitec has fulfilled the submission of key contract deliverables to the District in accordance with the contract.

Beginning July 1, 2019, employers will utilize the same Employer Self-Service Portal (ESSP) they currently use to submit wages and pay for Unemployment Insurance (UI) to remit their PFL contributions. Employers will only have to submit one wage report for both UI and PFL. Although the ESSP will be utilized for both UI and PFL, it is important for employers to know that payments for UI and PFL must be made separately. There will be a separate payment icon for each program's payment if paying via ACH debit, and there will be a separate location for submission of checks for PFL contributions. Training for PFL Tax Division staff and user acceptance testing (UAT) for both DOES stakeholders and employers began during the first week of June 2019.

In order to meet the July 1, 2019 statutory deadline, the District and Sagitec will prioritize the following functions of the PFL tax system:

- Employer registration;
- Employer account maintenance;
- Wage reports;
- PFL tax payments (submission of payments via ACH debit and check, establishing delinquency, assessing penalties and interest)
- General ledger.

Phase 2 of the PFL Tax System will deploy in December 2019 after a UAT period in November 2019. Phase 2 will deploy the following remaining functionality:

- Tax refunds;
- Tax compliance (liens, levies, delinquencies);
- PFL field audit; and
- Management reports.

PFL TAX SYSTEM PROCUREMENT TIMELINE

The following timeline depicts a high-level overview of milestones leading up to the implementation of the PFL tax system.



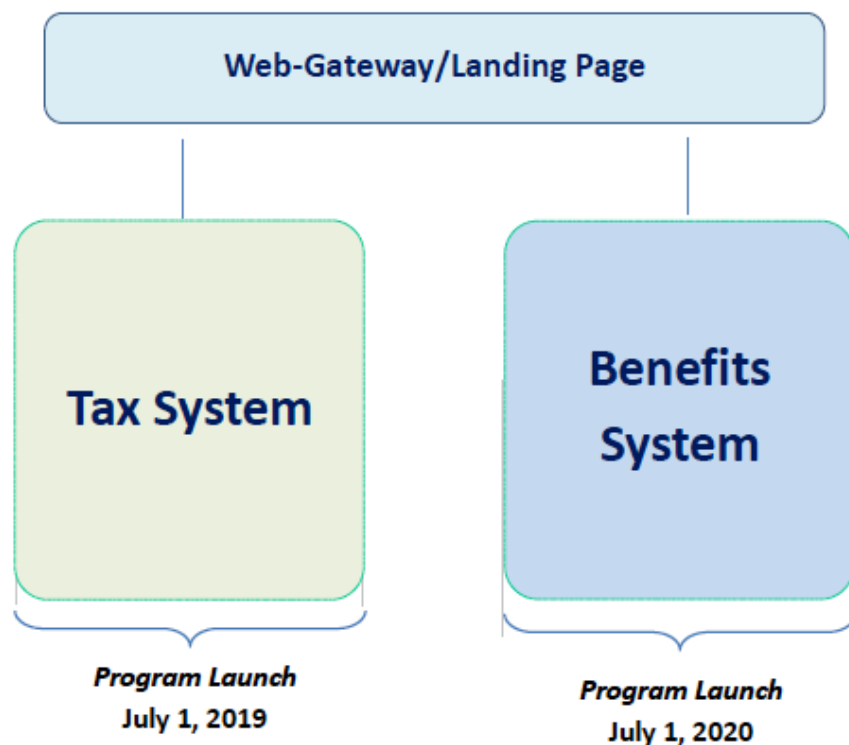
PFL BENEFITS SYSTEM PROCUREMENT

On May 20, 2019, the District released the PFL Benefits Administration System (PFL-BAS) solicitation, Doc442285, which closed on June 20, 2019. On May 30, 2019, DOES, in conjunction with OCP and the Department of Small and Local Business Development (DSLBD), hosted a pre-proposal meeting to provide the opportunity for potential bidders to ask questions regarding the solicitation. The District anticipates awarding a contract for the PFL-BAS in Fall 2019.

The District is seeking a solution that will seamlessly interoperate with the PFL tax system and include the following key functional areas:

- Claims filing management;
- Adjudication of medical, family, and parental leave claims;
- Verification of medical licensures;
- Payment and administration of benefits;
- Repayment recovery;
- Fraud prevention tools; and
- Analytics.

The diagram below reflects the District's vision to have a single gateway for employers and employees to access both PFL systems through the PFL website at dcpaidfamilyleave.dc.gov.



PFL BENEFITS AND ADMINISTRATION SYSTEM PROCREMENT TIMELINE

The following timeline provides a high-level overview of milestones leading up to the implementation of the PFL Benefits Administration System.



INDEPENDENT VERIFICATION AND VALIDATION

The District solicited vendors from May 1, 2019 through May 9, 2019 to provide independent verification and validation (IV&V) services for the PFL tax system. The IV&V services ensure the District's implementation of the PFL Tax System meets the necessary functions and requirements to set- up, run, administer, and manage a PFL program compliant with the Paid Leave Act. On May 21, 2019, the PFL IV&V contract was awarded to Eigennet, LLC, a certified business enterprise. Eigennet, LLC began documenting risks and mitigation approaches alongside Sagitec Solutions during the week of June 3, 2019.

Rules & Regulations

The rules and regulations were divided into two separate chapters between employer contributions and paid leave benefits to thoroughly consider all public comments and perform the proper policy research for each component. The final version of the rules for employer contributions—which clarified employer registration and responsibilities, opt-in and opt-out procedures for self-employed individuals, wages, and contribution and collection procedures—were deemed approved by the Council on May 16, 2019. DOES issued Notice of Final Rulemaking for these rules on June 21, 2019, and the rules became effective upon publication in the *D.C. Register*.

Throughout the rulemaking process, DOES received approximately 2,300 comments from employers, employees, and the advocacy community. Public comments addressed the following policy areas:

EMPLOYER CONTRIBUTIONS

- Computation of wages
- Collection procedures
- Household employer obligations

COORDINATION OF BENEFITS

- Employer sponsored benefits
- Concurrent use of paid leave

COLLECTION PROCEDURES

- Delinquency notices
- Payment periods
- Penalties and interest

ONLINE PORTAL

- Ease of use
- Non-electronic options
- Two-way communication
- Alternative methods of communication

PAID-LEAVE BENEFITS

- Identity verification
- Familial relationship documentation
- Employment requirement

DEFINITIONS

- Wages
- Employment
- Worksites

SELF-EMPLOYED INDIVIDUALS

- Opt-in and Opt-out process
- Documentation of self-employment
- Late payments and disenrollment

The second version of the proposed rules for PFL benefits—which provide clarity regarding the documentation required for PFL claims, benefit calculations, procedures for continuous and intermittent leave, and the familial relationships covered under the Act—are currently under review for legal sufficiency. Following the internal review, the benefits rules will be published in the *D.C. Register* for a 30 day public comment period.

Phased Staffing Plan

In Fiscal Year 2019, the District has hired key program staff for the establishment and administration of the OPFL's Contact Center and Division of Tax. The Contact Center is comprised of a supervisor and contact center representatives who are responsible for addressing all PFL inquiries over the phone and via email. Activities to fully staff the Tax Division are ongoing. The Tax Division includes the tax chief, supervisors, and tax examiners dedicated to the status, collections, accounting, and audit and compliance units. The District has also hired key IT staff to assist with the development and deployment of the PFL tax system.

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OPFL currently has 44 employees. By the end of Fiscal Year 2019, the OPFL is expected to have 91 employees. The District's strategic recruitment efforts are focused on hiring local and national talent by advertising OPFL positions on LinkedIn, Indeed, Monster, Dice, and the Department of Human Resources website. The District leveraged digital newsletters, the main DOES website and social media accounts, the PFL website, and community partnerships to ensure interested candidates have multiple ways of accessing OPFL hiring opportunities. By using resume databases and strategic candidate sourcing, the District's goal is to build a pipeline of highly qualified employees with various skill sets and experiences to contribute to the administration of PFL. In addition, the OPFL has partnered with other agencies and participated in local job fairs to give District residents an enhanced opportunity for OPFL positions.

By July 1, 2020, we expect the OPFL to be comprised of 124 full-time employees (FTEs) who will ensure that the District efficiently and effectively administer the PFL program.

Public Engagement

The District is executing a marketing strategy to educate employers, employees, and medical communities, as described in more detail below. The Paid Leave Act requires public education and awareness campaigns, and the District is embracing comprehensive campaigns in both areas. As the PFL tax collection deadline approaches, engaging District employers remains a high priority.

EMPLOYER INFORMATION SESSIONS

DOES has held numerous information sessions with the employer community. Through these events, DOES has provided the business community the opportunity to review information regarding the PFL program and provide direct feedback. These events have engaged a number of business groups, including the DC Chamber of Commerce, DC Bar Pro Bono Center, DC Health Care Association, DC BID Council, Consortium of Universities of the Washington Metropolitan Area, Restaurant Association Metropolitan Washington, Greater Washington Hispanic Chamber of Commerce, Alliance for Construction Excellence, District of Columbia Hospital Association, Capitol Hill Association of Merchants and Professionals, Association of Independent Schools of Greater Washington. Additionally, payroll service providers and other industry-specific third-party agents, such as, ADP, Paychex, Paylocity, Accountants World, Intuit, and The Nanny Tax Company have been a part of OPFL's substantial outreach efforts.

TOWN HALL FORUMS

The District held a town hall forum at the Walter E. Washington Convention Center on April 23, 2019 to inform the public of the current status and implementation timeline, share information about PFL tax regulations, and other information necessary for employers to meet the PFL tax payment requirements starting on July 1, 2019. At this event, a diverse audience of business owners, human resources representatives, accounting and payroll specialists, students, educators, and Council staff provided meaningful feedback. Attendees also received information about employer registration using the PFL portal, reporting wages, notification and record-keeping requirements, and other topics related to implementation.

BUSINESS WALKS

DOES also engaged in business walks to engage small businesses that may be less connected to DC government or less likely to be aware of updates on regulations affecting their businesses. During the business walks, OPFL staff disseminated important employer information, including fact sheets, toolkits, and promotional items. OPFL staff also assisted employers in registering for email notifications and directed them to the OPFL website for additional information. The goal of this outreach was to inform employers about the PFL tax, to build trust, and to create an open channel of communication between businesses and OPFL. To leverage existing business-government relationships, the OPFL collaborated with business improvement districts to conduct 12 walks in all eight wards.

OUTREACH TO SELF-EMPLOYED INDIVIDUALS

Self-employed individuals represent an important subset of the target audience for the District's engagement campaign. Their relationship with the PFL program is different than those of traditional businesses and their workers. Self-employed individuals must elect to participate in the PFL program during an open enrollment period and are only required to pay the tax if they choose to enroll. To effectively reach self-employed individuals, OPFL concentrated on email and in-person outreach efforts. The OPFL partnered with co-working spaces in the District to post and distribute information about PFL relevant to self-employed individuals and host "office hours," one-on-one meetings, and other small events where individuals were able to speak directly with OPFL staff about the program and its benefits.

PAID LEAVE WEBSITE

The PFL website, www.dcpaidfamilyleave.dc.gov, continues to be the main resource for workers, businesses, advocates, and organizations to learn about their PFL rights and responsibilities. The website includes information about the final PFL tax regulations, upcoming events, and updated PFL resources.

In addition to serving as an information hub for stakeholders, the website is driving direct engagement with the public. The website utilizes pop-up windows asking visitors to sign up for the PFL newsletter, encourages survey and quiz participation from visitors, and promotes the opportunity for businesses to request information sessions from the OPFL. These approaches not only increase OPFL's contact list and broaden the reach of information sharing, but they also allows employers, workers, and other individuals to fully engage with all resources and information that the site has to offer. In the future, the website will provide direct access to the online paid-leave portals for employers and beneficiaries.

EMPLOYER WEBINAR SERIES

In the third quarter of Fiscal Year 2019, the OPFL hosted a series of 14 employer webinars that focused on the tax regulations, employer requirements, technical information, and top questions from employers. The weekly webinar series engaged more than 2,000 employers. The webinars are recorded and posted to the DOES website, allowing individuals to access the information on their own time.

PAID FAMILY LEAVE NEWSLETTER

To increase the digital footprint of the PFL program and disseminate information to a broad audience, OPFL established a weekly electronic newsletter. The newsletter provides updates for all target audiences, such as a list of upcoming events and links to key resources. Leveraging the UI ESSP contact list, the District has emailed the newsletter to over 22,000 businesses. As the needs of audiences diverge in the coming months, OPFL will explore the option of adding separate newsletters for employers, workers, and self-employed individuals.

PRINT AND DIGITAL COLLATORAL

Materials such as one-pagers, toolkits, manuals, and flyers are important tools for spreading information about the PFL program and supporting other engagement activities, such as meetings and events. The OPFL created an employer toolkit, which is designed to provide employers with a comprehensive overview of their requirements under the Act. The toolkit includes information for covered employers and self-employed individuals concerning responsibilities under the Act. Additionally, DOES has created one-pagers for self-employed individuals, FAQs, and other materials for distribution. All of these materials can be found on the PFL website.

INFORMATIONAL VIDEOS

As evidenced by other states with established PFL programs, videos are an excellent way to quickly share information with a broad audience and are especially effective in communicating complex messages, concepts, or data. OPFL developed videos for town hall events, which convey key information about the PFL program to employer and worker audiences and direct viewers to the PFL website.

ADVERTISING CAMPAIGN

Advertising is a critical tool to educate the public about the District's PFL program. Prior to the start of the PFL tax collection efforts, the District launched an advertising campaign targeted at District employers. This campaign used local and industry publications, social media, radio, direct mail, and other advertising methods to connect employers with information that they will need to comply with the law and program requirements. OPFL also mailed over 34,000 mailers to District businesses. Additionally, the director of DOES, Dr. Morris-Hughes, appeared on WAMU public radio, WMAL, and other newscasts to discuss the PFL program and its implementation.

ADVISORY COMMITTEE

The District values feedback from the public and will engage stakeholders through the formation of the Paid Family Leave Advisory Committee (PFLAC). The PFLAC will be an informal advisory committee used to solicit input and feedback regarding PFL issues, including rule makings, policies, program administration, and utilization of benefits. OPFL is finalizing the PFLAC structure and application process and will share additional information with the public in the near future.



Research and Policy Considerations

In the third quarter of Fiscal Year 2019, the OPFL policy team continued its regular meetings with DOES' s UI team. Since the definition of covered wages for PFL is identical to that used in the UI program, and the OPFL's wage-reporting system relies on UI wage reporting to accurately assess PFL contributions, effective communication and coordination between the programs is essential to achieving a smooth rollout of the PFL tax-collection system at the beginning of the fourth quarter of Fiscal Year 2019. The OPFL team has worked with the UI team to identify potential areas that will require cross-program collaboration such as maintaining employer accounts in ESSP and enforcing proper wage-reporting by employers who employ multi-state workers.

The OPFL policy team has also maintained and strengthened its focus on supporting the implementation of the benefits system by honing the benefits rules to ensure they will effectively and equitably regulate the payment of future PFL benefits. The OPFL policy team has weighed the advantages of various approaches to technical benefit issues, such as intermittent leave, authorized representative filers, the definition of the benefit year, and the timing of claim filing with respect to qualifying events. Interactions with other paid family leave programs and reviews of other jurisdictions' laws and regulations remain an important area of research and development for the policy team as it creates forthcoming guidance for employers and employees about the coordination of benefits and overlapping leave protections provided by law.

Conclusion

The District is collaborating with employers, workers, and other stakeholders to ensure that all communities are a meaningful part of the implementation process. With tax collection efforts beginning July 1, 2019, OPFL is focused on implementing a user-friendly tax system for employers and engaging business owners, human resources representatives, workers, medical providers, and advocates to create a high-performing PFL program. DOES has taken a multi-faceted approach to public engagement, education, and outreach including in-person events, online webinars, direct mail communications, social media advertising, website updates, and one-on-one meetings with community partners, and we will continue these efforts as the PFL program continues to be rolled out.





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