

Family Leave Insurance Program

Summary of fiscal estimate

**Family leave
program
\$10 million in
start-up costs**

**New computer
system is the
most expensive
start-up piece**

**Staff costs
would be lower
in first year,
grow in second
and third years**

The Employment Security Department has developed estimates for program start-up, ongoing operations, and benefit costs for the Family Leave Program.

Total Start-up Costs - \$10 million

The department estimates that implementation of a family leave program would cost \$10 million in the first three years, FY 2008 through FY 2010. This includes:

- \$6.3 million in information technology costs, including staff, consultant and equipment costs.
- \$3.1 million for the project team, one-time facilities and initial outreach.
- \$600,000 for indirect costs.

Over the course of the three year start-up period, annual costs will range from \$1.3 million to \$4.7 million. Staff counts will fluctuate from a low of 5.0 FTEs to a high of 26.7 FTEs.

Detail of Start-up Costs

Information Technology - \$6.3 million

Information technology (IT) is the highest-cost aspect of family leave implementation. The IT cost estimate is based on 60,000 hours of programming and development time, including ESD staff and contractor hours.

The new system would process both paper and internet claims, verify eligibility, and pay benefits. It would also include a fraud determinations and collections system. Programming would take 22 months. One FTE is allocated in FY 2008, 10.3 FTEs in fiscal years 2009 and 2010.

Project team - \$3.1 million

Project team costs includes staff for program development, rule-making and policy, training, printing, initial communications and outreach. This item also includes one-time facilities costs and some costs for unemployment-insurance staff to interact with family leave staff. FTEs range from 3.4 in FY 2008 to 13.7 FTE in FY 2009.

Indirect costs - \$600,000

Indirect costs are allocated according to a federal formula. The US Department of Labor (DOL), which provides the bulk of ESD funds, requires this allocation.

Ongoing Costs - \$8.1 million in FY 2013

ESD made estimates of ongoing costs based on program operations as of Fiscal Year 2013. In FY13, the program would cost approximately \$8.1 million and require 49.2 FTEs to maintain.

Ongoing costs fall into a number of functional areas:

The bulk of ongoing costs would shift from IT to operations when program is up and running

- **Claims management** – entry of claims, eligibility decisions, appeals’ processing, customer service for questions or problems, tracking and managing payments out of the account. This category includes the program director.
\$2.3 million per year (33.5 FTEs)
- **Appeals** – including costs for the Office of Administrative Hearings, Attorney General expenses, and attorneys’ fees awarded.
\$2.4 million per year
- **IT staff and equipment** – ongoing maintenance, system improvements, and data sharing.
\$1.1 million per year (3.8 FTEs)
- **Other support activities** – outreach, fraud and collections, enforcement, facilities, printing and mailing, telecommunications/language line, annual cost of warrants.
\$2.0 million per year (8.4 FTEs)
- **Indirect:** indirect costs are allocated according to U.S. Department of Labor requirements and, federally-approved methodology and rate to help cover agency-wide administrative costs such as personnel, payroll, and financial management.
\$0.3 million per year (3.5 FTEs)

By 2013, 32,200 people would collect \$39.4 million each year in Washington

Cost of Benefits - \$39.4 million in FY 2013

Caseload and benefit payments are based on actuarial analysis of caseload numbers by L&I staff. Staff examined the California Family Leave Program experience to build assumptions about claim volumes. ESD reviewed L&I’s work and provided input through the process.

The estimated annual caseload and benefit costs for Washington are:

- **Benefit costs:** \$39.4 million in FY 2013 from \$31.3 million in FY 2010.
- **Number of claims:** 32,200 in FY 2013 from 25,700 in FY 2010.