



# Family Leave Insurance Program

## Summary of tax collection system fiscal estimate

**Family Leave Insurance tax collection system - \$6.6 million in start-up costs.**

**Family Leave Insurance will contract with Unemployment Insurance to collect the tax.**

**Nearly one-sixth of the start-up costs are related to the opt-in program.**

The Employment Security Department (ESD) has developed estimates for establishing a tax collection system for the Family Leave Insurance program established during the 2007 legislative session. Included are estimates for start-up and ongoing operations associated with collecting taxes of both one cent and two cents per hour worked per individual. The cost to implement the new system will be the same regardless of the tax amount. A change in assumptions will result in a change in cost.

### **Start-up Costs - \$6.6 million**

ESD estimates implementing a Family Leave Insurance tax collection system would cost \$6.6 million and take approximately 22 months. If the start date were March 1, 2008, the target completion date would be January 1, 2010.

The \$6.6 million includes:

- **Information Technology - \$5.0 million**

Information Technology (IT) is the most expensive portion of the Family Leave Insurance tax collection system and includes costs for staff, contractors, hardware, and software. The cost is based on an estimated 65,000 hours of programming and development time. A portion of the programming would be used to change the existing Unemployment Insurance tax collection system to allow employers to also file Family Leave Insurance taxes and to pay both taxes with one check.

- **Program Operations - \$382,000**

Costs related to revising and translating new forms and procedures for employers and developing outreach materials are included in program operations. Also included are costs for one-time facilities to house the Family Leave Insurance program.

- **Opt-in Program - \$807,000**

The law allows employers who do not pay Unemployment Insurance to opt-in to the Family Leave Insurance program. This requires a new system to collect Family Leave Insurance taxes for this group of employers.

- **Indirect Costs - \$410,000**

Indirect costs are assessed based on an indirect rate approved by the U.S. Department of Labor (DOL). This funds personnel, payroll, and financial management.

### **Ongoing Costs - \$3.4 million**

Once ESD starts to collect the tax, the program will cost approximately \$3.4 million annually and require 14.5 FTEs to maintain the program. Of the total ongoing costs, \$578,000 is related specifically to the opt-in program.

Ongoing costs fall into a number of functional areas:

- **IT staff and equipment – \$757,000 per year (5.25 FTEs)**

This would fund ongoing hardware and software needs as well as maintenance

**Family Leave Insurance tax collection system - \$3.4 million in ongoing costs**

**More than one-sixth of the ongoing costs are related to the opt-in program.**

for servers, desktops, and databases.

- **Contract with Unemployment Insurance to collect taxes (cost-sharing agreement) - \$1.5 million per year**  
ESD determined the most cost effective way to collect the tax for the Family Leave Insurance program is to contract with the Unemployment Insurance system. This would allow employers to file one tax return and pay both Unemployment Insurance and Family Leave Insurance taxes with one check. Where operational costs and processes of the Family Leave Insurance tax collection can be shared with the current Unemployment Insurance tax collection system, the Family Leave Insurance program would be assessed for those costs through a cost-sharing agreement with the Unemployment Insurance program.
- **Program operations - \$452,000 per year (3.25 FTEs)**  
Costs that cannot be covered under the cost-sharing agreement, such as audits and appeals directly related to Family Leave Insurance, would be funded through program operations. Outreach activities related to employers will also be funded.
- **Opt-in program - \$578,000 per year (6 FTEs)**  
Funds are for assessing and collecting the tax, conducting audits, outreach, and other program requirements.
- **Indirect Costs - \$172,000 per year**  
Indirect costs are assessed using a DOL-approved rate, as described above.