Workforce ^{3}One

Transcript of Webinar

Understanding the Federal-State Unemployment Insurance System and IT Infrastructure OUI RC

Tuesday, June 24, 2014

MR.   : OK. To kick things off, I'm going to turn things over to Joe Vitale. Joe, take it away.

JOSEPH VITALE: Thank you, Gary. Welcome, everybody, and good morning. I'm Joe Vitale. I'm the director of the Information Technology Support Center, ITSC, under the National Association of State Workforce Agencies. Here with me today in this webinar is Gay Gilbert, the administrator of the Office of Unemployment Insurance in the U.S. Department of Labor, and Lou Ansaldi, our technology director for the Information Technology Support Center. So we'll be going over today's presentation.

What I'd like to do first is go over the agenda for the webinar, and we've budgeted an hour and a half for this session and I think that'll be enough time. Please keep in mind, however, that we are entertaining questions during this webinar, at our live Industry Day, which we'll be talking about during the presentation, and up to the close of the Industry Day, which is July 18th. All questions that we receive will be answered either in this webinar, at Industry Day, and they will all – all questions and answers will be posted on the ITSC website by July 25th, so you will see every question and the answers to those questions. We will not post the name of the vendors who ask the questions, but – and we will eliminate duplicates – but all questions, and answers, will be posted on that website for your information.

So jumping into the agenda, I'm going to go over the purpose of the webinar and a review of the agenda, which we're doing right now. We have the goals of the RFI. We'll talk about NASWA, ITSC and our background.

So the purpose of this webinar is educational and to educate the industry on who we are at ITSC and NASWA, what our relationship is with U.S. DOL and, really, what the purpose of this project is all about. We're trying to downplay technical questions at this webinar. We hope that the Industry Day will be a good venue for vendors to come live, in person, and present any detailed technical questions they have.

Continuing with the agenda, we'll be talking about the state of the state of UI IT infrastructure. So in the unemployment insurance program across the country, what is the state of that – of their – of their IT infrastructure? Mainframe, Web-enabled, modern technology, old technology – we'll go over that at a high level, obviously, since we only have an hour and a half, but give you a feel of what's out there in the IT infrastructure in the UI community.

We'll also talk about UI, unemployment insurance, modernization and how it's evolving. Many states are moving to new systems, and we'll be going over how that's happening. Some of it is happening in a single-state model, some is happening in multi-state models where states are working together. So we'll give you that landscape of the country and how that's evolving.

The use of cloud technology to date in unemployment insurance – so while this RFI is just recently announced, we have some states that have – obviously, the train is moving and states have started to get involved in cloud technology and they're out there doing that and we'll try to give you an update on where it stands at this point in time.

Then, before we take questions and answers we'll go over the goals of Industry Day and how that's – how we see that evolving, which will be the live event here in Washington, D.C., on July 18th. And then, finally, we'll entertain questions and answers. Questions and answers, as Gary indicated, will be handled through our chat session, so we don't anticipate opening up the microphones for live questions. So they'll all be – please type your questions in the chat window.

So this event – as you know, we issued an RFI a week or two – a week ago, and now we decided to have this webinar. And we're viewing this webinar as a background event, and we want to provide you, the vendor community, more in-depth information on who NASWA and ITSC are, because I'm sure that's confusing for vendors – it's confusing for many of the states we work with, so it has to be confusing for the vendor community.

We also are going to go over what our relationship is with the U.S. Department of Labor, who oversees and administrates the unemployment insurance program across the country. Gay Gilbert, the administrator for unemployment insurance, will go over the unemployment insurance program, give you a very high-level overview of what it's all about and the federal-state relationship for unemployment insurance. And then we'll provide you additional insight on how cloud technology solutions may further support the unemployment insurance system modernization efforts underway. So we feel that it'll be good background that will help you with your RFI proposals that you'll be submitting to us.

So on that note, what I'd like to do now is turn the microphone over to Gay Gilbert. As I said, she's the administrator of the unemployment insurance program and the Department of Labor. Gay?

GAY GILBERT: Thanks, Joe, and good morning, everybody. Let me add my welcome to those of you on the webinar.

We're very excited about this effort to essentially learn much more about how cloud technology can support the UI infrastructure across the country and how we might leverage investments we've already made in UI modernization, IT projects, et cetera. So, basically, our goal here is to hopefully engage you in some thinking about – some innovative thinking about how we can do this and what models exist that would be appropriate for use in the UI system using cloud technology.

Just to let you know, we – I think we're doing this for a couple reasons. One is, like many other government programs, we're – don't have as much money in our system as we might like, and so cost of IT infrastructure is a huge portion of each state's budget, and so being able to manage our IT costs in some new and different ways is important. But, obviously, we also – I mentioned we want to be able to leverage some of the investments that we've already made. And we're going to be talking – Lou's going to be talking here in a minute about our focus on consortia and some of the cloud technology that's already in use.

So we're looking for saving money. We want to be innovative. We want to find new kinds of infrastructure that will be sustainable over time.

One of the things you're going to hear about the UI system is, we have 53 different states and jurisdictions, all with their own – or many with their own IT infrastructure. We're changing that a little bit with our consortia projects, but – and so – and we also have a program – if you've read the news at all you know we – in the recent recession we had many new emergency unemployment programs that changed about every five minutes in terms of how they were structured, and so agility in our systems is also very important because – the ability to adapt to new requirements sometimes when there are recessions and we have new additional programs that the Congress enacts.

We are – you're going to hear, we are promoting sort of multi-tenancy or multi-state consortia to manage IT infrastructure; again, to help save money to – and to leverage each other's – well, in many cases mostly to save money and to allow us to move to modernization on a very limited budget from really antiquated mainframe systems.

And, obviously, one of the things that we're going to be talking about too is figuring out – we know, and I'm probably the least technical person on this call – let me say that upfront – but we know that there are some traditional kinds of models for cloud – the use of cloud technology and how it plays out. We think there probably are some blended models out there that probably might be good fits for the UI system over time. And, again, I think our goal is – in engaging you, as industry, to help us think about this is, what – how do those blended models – what might they look like and how might they fit best with our – with our system?

So I'm going to turn this back to Joe for a minute and I'll come back to talk a little bit about the UI system some more in a minute.

MR. VITALE: Thanks, Gay. So, just briefly, I want to explain to industry who we are, because I'm sure it's very confusing to you folks out there.

So the slide that you're looking at right now shows three organizations. NASWA is the National Association of State Workforce Agencies. It's been around for quite a long time, and every state is a member of NASWA. So it's the organization that supports the state workforce agencies, both the unemployment insurance and the employment service and the labor market information programs across the country.

CESER – they created – NASWA created CESER, the Center for Employment Security, Education and Research, back in 1994 as an education and information technology center focused on workforce development and unemployment insurance issues. It's, again, a separate not-for-profit within the national association that deals with contracts and contracting with states and then getting (bender ?) services to help the states achieve their goals in the unemployment insurance program.

And then finally, ITSC – we're the organization that issued this RFP in partnership with the U.S. Department of Labor. And we're an information technology support center that was created by a grant opportunity issued by DOL back in the early '90, 1994. The state of Maryland won that

grant opportunity, and USDOL, Maryland and NASWA are partners in the Information Technology Support Center.

And the focus of the Information Technology Support Center is to really support the states in unemployment insurance technology. How can they – how can we help the states get the technology advice, consultation and services they need to build new and improved UI modernization systems?

We were moved under NASWA in 2009, and it was a good move because we, as the Information Technology Support Center, now being under NASWA – we really support the needs of the states in working in our partnership, relationship with USDOL. If you look on the next slide, just graphically, it'll show what I just described. NASWA and CESER are at the top of the organization, and ITSC is a subsidiary of CESER established in '94 and does the information technology support for the UI program.

So just to give you a little more detail, if you go to the next slide, we're funded by grants from USDOL, and this project is a part of a grant that we received from USDOL to talk about – look in – research the investigation – investigate cloud technology use in UI IT modernization, as Gay indicated. We're looking for innovative solutions, innovative suggestions. We're open to ideas of how cloud technology can help the UI program.

We support the UI agencies through direct contracts with the states or in multistate groups called consortiums. We also work with consortiums, and we provide a lot of advisory support. We're not on the ground necessarily doing the IT project, but we're there advising them in the background. We have a wealth of knowledge in both unemployment insurance and information technology on our staff, and that's how we provide our services to the states.

ITSC – one thing you should note – is governed by a steering committee, and they set our direction and goal. And the steering committee is really composed of unemployment insurance directors from the states, IT directors from the state and state administrators, along with USDOL. So we have a good cross-representation of the workforce agencies across the country in guiding us in what we should be working on.

On that note, I will now turn it back over to Gay, who is going to give you a little overview of the unemployment insurance program structure.

MS. GILBERT: All right, so before I do that, one thing I might mention also about SC, as we call it, ITSC, we – in the past year and a half or so, clearly, one of their most – their biggest priorities and their critical focus has been how do we move the entire country, all states, to get to a UI – modernized UI systems. Again, we have very antiquated mainframes, and you're going to hear a little bit more about that, moving from 25 to 40-year-old mainframes with COBOL programming and trying to get into the 21st century. So we – their focus is four-square on that goal, and obviously the use of cloud technology fits nicely into how we think about that moving forward.

But let me talk a little bit more about how the UI program is structured. We put a little bit of this in the – in the RFI, but I – we thought it would be useful for you to get a little broader understanding of how the UI program works. We are what we call a federal-state partnership. The – we do have federal law that governs broadly the UI program, but state – every state essentially has their own program. They have their own state laws that provide for the structure of their program, everything from the eligibility for benefits, the amount of the benefits, how they tax their employers and the tax structure, so lots of – and there are many, many variations across states on how they do those things, which is a source of interest, but also a headache occasionally when we're trying to manage 53 states and jurisdictions and how they operate, but very, I think, important, because it allows each – the unemployment insurance program is both a safety net for those who are unemployed through no fault of their own as well as being an economic stabilizer, and so having a program that fits in the economy of the particular state is one of the reasons, I think, that we went with a structure like this.

But having said that, while state laws are very different, the foundational pieces of the UI program are quite similar, and we're going to – as much as 80 percent of that, which has allowed us, I think, the flexibility to move to a more – the consortia approach that you're going to hear more about in a little bit of time.

I did want, as we're on this slide, to talk a little bit about funding too and how that works. The Department of Labor actually funds the administration of the program, so we provide grants to states to do that. We also, from time to time, provide grants to states when we have extra money, and we're going to talk about that – to give states money to actually do modernization projects. We also – the states – the – we – that money comes from payroll taxes paid by employers through the Internal Revenue Service under the Federal Unemployment Tax Act, or FUTA. States also collect – or state payroll taxes to actually pay the benefits for the regular UI program.

So again, when things were – so the states pay the – collect taxes, pay benefits. We pay for the administration and oversee broadly the program and its administration, and ensuring that states are essentially complying and that their state laws are aligned with federal law and that the administration and operation of their program is in compliance with federal law.

I wanted to – next slide. Yeah, good. We're – want to talk a little bit about the – sort of how – what states actually do to administer the program, what are the key functional areas. Obviously, the payment of benefits is one of the big ones, and in order to do that, states have to collect information on eligibility to – and have processes to determine eligibility and actually to make the payment of the benefits.

This is – all sounds terribly simplistic, and it's actually not. The state laws that you – that – for the program can be extremely complicated, and with a lot of the eligibility requirements, as I said, are quite different across states, and so everything from how a state treats whether somebody has retirement benefits or some other source of income can be different from state to state when they're determining eligibility or what amount of benefits is actually paid or how they – how they think about what misconduct is for purposes of determining whether somebody's unemployed through no fault of their own. So lots of different rules in how a state may look at somebody's eligibility.

And then also, getting to calculating, one of the things that's – happens in the UI program is when somebody becomes what was called monetarily eligible for benefits, that means that they've had enough employment to qualify in a state. Then we have to – we establish what we call a benefit year, and then a maximum amount of benefits that somebody may be eligible for, and then individuals claim on a week-to-week basis. So lots of the piece – different pieces and parts have to go into both the initial eligibility determination and then determining on a weekly basis whether somebody remaining – they're eligible for each week.

So again, I am sharing this with you (because ?) this kind of gives you examples of how complex this program can be.

I mentioned that states collect their own taxes to pay benefits. Obviously, that process is also quite complicated, and one of the things about the unemployment insurance program is that it is experience – that the taxing mechanism is what we call experience-rated, so those employers who experience more unemployment pay higher – generally paying higher taxes. And so again, many sort of moving parts to try to figure out what an employer will owe in a given year and how they're charged for their – as part of the taxing process.

Along with the taxing process, we also do collect on a quarterly basis wage information from every employer. That's generally married up to the – but not always – to the taxing process because of the relationship with employers. So again, this is an important piece of the function. And then for both taxing and benefits, our law – federal law requires that states have the opportunity for both employers or claimants to appeal, and that's another – whole other kind of functional area that has to be – that has automated pieces and parts to make it function.

And one of the – so all of these things are quite interrelated to – which – so as we talk about IT infrastructure, the links between the – between, for example, an automated tax system and the automated benefits system in a state have – or the wage record information – there has to be a connection between those processes because they all feed each other in terms of information. For example, the wage record information is necessary to determine whether somebody has had enough employment to qualify for the benefits, and so we have to be able to import wage information into the benefits system. So being able to move data between functional areas or functional systems is very critical.

So I think I'm going to stop there. I think you get the general gist. We aren't expecting you at this point to be experts on the UI program, but wanted to give you a flavor of how complicated it is.

So let me turn it back to Lou, actually.

MR. ANSALDI: Thank you, Gay.

Good morning, everybody. So I am going to talk about the – kind of the patterns and trends in UI IT, information technology modernization infrastructure, with a focus on kind of the current accounting of where states are at so the participants here can get an understanding of that aspect,

and then dive into a little bit more on the consortiums, as has been foreshadowed by Gay, in terms of what we're trying to achieve there, the structure, the participants, both from the – (inaudible) – perspective and actually industry, and then get into a little bit more detail on what we're trying to outreach and explore with – (inaudible) – participants – (inaudible) – industry regarding the RFI.

So as far as the modernization status, just to re-emphasize, we are coming from a base of largely mainframe – legacy, we call it – systems that certainly have served a purpose over not just the years, but decades, very well. They've been kind of the old iron horse and have really provided the services that each of the DOL or workforce agencies have needed. However, for a number of reasons, just in terms of technical debt over time, as the system kind of decays and it's held together by duct tape and baling wire, as we say, as well as other reasons to take advantage of current technologies that allow more customer service-oriented services or capabilities as well as enhanced productivity with the staff within an agency. So there – that has been kind of an impetus, as well as losing key experts within the COBOL community or CIS – CICS community in terms of supporting the system. So they have all kind of joined together, with other factors, but this confluence driving this UI IT modernization activity.

And to give a sense of the scope of these in terms of what a new system would look like, they range from about a million to 2 million lines of code, many thousands of function points, as well as integration with a lot of third-party products, such as imaging systems, workload systems, even business – (inaudible) – engines, correspondence engines. So there's a lot of moving parts.

OK, so this slide represents a snapshot, kind of current, of where the states are at in terms of modernization. As you can see in the left column, the completed – and Gay had mentioned there's 30 – 53 workforce agencies, so as you can see, in terms of completed, among benefits and breaking it out by benefits, of which Gay talked about in the prior slide, tax systems, and then benefits and tax – and by the way, appeals for this purpose of accounting is included under the benefit system. There's really not a lot of states that are modernized, and certainly not fully modernized.

Now, however, there's a lot of states, including states within consortiums, that are in the process of modernization. And we hold a lot of emphasis on that, and they're pushing through with a high degree of success in those – in those (engages ?). But even with success, we're still talking about maybe a quarter or a third of the nation being, quote, modernized. So there's still a gap there, and we're going to talk more about perhaps ways – leveraging the cloud and the consortiums to kind of fill that gap.

So as far as these projects, as I said, there's 14 in development. Typically, there has been a significant amount of challenge in terms of successful outcome. If folks are familiar with the study by Standish (sp), there's actually a couple decades' worth of analysis of large software development projects that talk about outcomes in terms of success, challenge and, well, termination or failure. The UI IT modernization world is pretty consistent with that. So over time, it has been a struggle, and so we are looking, as Gay has mentioned, for ways to accelerate and improve the outcomes for this nationwide modernization.

The other aspect of this is on the last bullet, we talk about getting this system modernized, but then in subsequent – it's even been a challenge to support the system, to sustain the system. So we are actually looking at cloud services potentially to fill that kind of need as well.

So from a traditional UI systems operational view, this is the perspective for those states – again, not many – that have actually achieved a modernization system, whereas there's an emphasis on being able to support these systems themselves, typically through a (strong knowledge ?) transfer program or project within the modernization, the development phase. That has been itself a struggle, and so subsequently, typically, it's the development vendor who continues to support the system, and then typically the state data center within a state for a single state initiative will host the system.

So that has been a model that has not been necessarily so affordable, sustainable or economical as well. So we have two things going on. We have some challenges in the development phase, and then even in – when we get a successful development, to actually operate and support, in an affordable, effective way, you know, that new system.

So given that background, let me talk to you about kind of the evolution here of what's been happening and hopefully where we go. So in the – at the 2000 to the 2009 time frame, the initiatives have been largely single-state initiatives. And as I described, the results have been mixed, (two ?) struggles, frankly. But there's also been kind of partial modernization efforts, and those have been driven by the need to take advantage of Web technologies in terms of self-service for some of the functions that Gay was mentioning in terms of filing, playing or an employer registering, (OK ?), for UI, in the UI system. But they would be bolt-on to back-end mainframe systems. So that was another approach. Whereas it did serve some needs, it still really didn't address the agility, flexibility aspects that Gay had mentioned, nor kind of the key staffing issues and challenges of losing these expert COBOL folks.

So towards the end of – in the 2009 to 2010 timeframe, as Gay has been indicating, there's been a recognition, certainly, that that 80 percent commonality is something, perhaps, that we could leverage across states. So given that – plus these projects, as industry I'm sure is aware – something of these significant a magnitude demand a lot of staffing on the customer's side, not just in business requirements and system requirements, but the whole testing process, project management, things of – (inaudible) – and that has also been a struggle for single-state initiatives.

So the consortiums are aimed at leveraging – and I'll talk more about this in a bit – aimed at leveraging those kind of things – cross-pooling of resources, as well as that high degree of commonality. Also, there has been, over time – and has been mentioned by Joe and Gay, ITSC has been involved in modernization, and it's certainly our crystalline focus at this point – an improved sharing of successful practices and lessons learned across states.

So if you take samples of outcomes over time, things have been improving – that, I think, is clear, although we need to kind of do the next step of improvement in terms of positive outcomes. And that is where we hope, in part, along with the single-state initiatives that are

occurring now, as well as the consortium, certainly, the use of – further use, in a kind of a systematic, more comprehensive way, of cloud services can play a role.

So at this point I'm going to turn it back over to Gay.

MS. GILBERT: Thanks, Lou. And you and I are going to have to talk fast so we can have room for these folks to ask questions.

MR. ANSALDI: OK.

MS. GILBERT: So I will be quick on this slide. Again, I just want to emphasize both that the Department of Labor, when we – that there – first of all, there is no consistent funding stream right now for UI modernization activities in the states. States have been able to leverage prior special distributions of funds over time, in some cases, to support their modernization efforts. And in the past several years we've been very lucky, in the aftermath of the recession, to have additional surplus funds that were not required by states based on their workload that we were able to commit to consortia to actually do their UI modernization projects. That funding stream is not certain on any given year, and some years we have almost nothing and some years we have enough to fund a couple of consortia at 80 million a pop. So it's a varying funding stream and we continue to educate our funders about this particular need for our system that's – just kind of wanted to give you a flavor for that.

We have, with the consortia, funded things into components, essentially. First, for the consortia to do common business requirements and/or, in some circumstances, where we were leveraging a mature system to do fit/gap analysis to prep for development for states to essentially adopt a mature system.

We then do the funding for development in a separate increment. And we currently have five consortia in various stages of implementation. This has been a very interesting challenge for – I think for us and the states, and a new, huge, learning experience. We are committed, though, to continuing this strategy. We think it's the right strategy, and we also think that cloud technology is a really nice fit with this strategy.

So I just wanted to kind of give you that background from the DOL perspective. This is – when we do have funding we will be continuing to promote both new consortia, onboarding when our consortia are mature to support onboarding of new states to those consortia, to leveraging the applications and products developed by the consortia, et cetera.

And that one other thing that I will mention too is, when the Department of Labor money is used to fund a modernization project, we do retain the right to distribute those applications to other states. So just wanted to kind of share that background (piece ?).

And, Lou, I'm going to turn it back to you, and, again, we have to talk fast.

MR. VITALE: All right. Thank you, Gay. So to reiterate some of these points in terms of consortium approach – and this is more from a functional, technical perspective – as I

mentioned, there's a lot of commonality in requirements and so we are trying to leverage that across states, and we are finding that that 80 percent is typically the case across the consortiums that we'll describe in more detail on the next couple slides here.

I mentioned about the pooling of resources across states, and that has been very helpful, particularly in the requirements phase, and we expect it to be likewise in the testing phase. In terms of sharing of computing resources, we see this as vital as achieving more affordable systems. And in that regard – I'll just be a little bit technical here – so maybe a single instance solution – sharing licenses of third-party products in terms of the instances of that. And maximizing or optimizing common (code ?), where you make a change once and it benefits all participants of the – of the consortium. But, again, that's balanced against operational independence and there's some latitude that each state does need to have.

Regarding configurability, as Gay mentioned, we have special extensions during, like, the 2009, 2010, et cetera years and they come fast, they come furious, they need to be turned around and implemented quickly. And so we are looking at highly configurable solutions, and, in fact, we see that as a way to even more share competing resources in getting sustainable, affordable systems.

Gay mentioned about the U.S. (USDA ?) rural development and funding and about the right to distribute. And then, again, there's a compound effect in terms of operational cost, so if we have more common resources that are shared you save that way, but then we also – we save in terms of sharing among partner states. So there's kind of a double effect there.

In the next slide, we talk about the consortium projects. So Gay has kind of mentioned these overall. I'm not going to dwell on these but to say that there are three that are in development right now. The first three – WyCAN, SCUBI and MRM – parenthetically, are the states' abbreviations of those involved. You could see that there's planned deployment dates, so we are – as Joe mentioned, the train is moving and we are on the train in these states in particular. And in the far-right column are the contractors that are actually implementing, developing and are going to be supporting these systems. These contractors went through, among their competitors, a competitive acquisition process for each of the three consortiums. There's another consortium – Vermont, Maryland, West Virginia – that is doing a full UI system as well. That is in the RFP phase, so that's all I could say about that. There's another consortium – New York, New Jersey – and this is to underscore Gay's point about the investment in this and the way forward that USDL sees this – they're in the requirements phases. And then there's another consortium, finally – New Mexico, Massachusetts, Florida – that is developing common components.

The next slide talks about the current use of cloud technology in UI. And then the focus here is consortiums, and I do want to underscore that this engagement, this outreach, really is to compliment and augment that work that is going on in the consortiums and in single states. So we want to leverage that smartly across the nation.

So why can – (inaudible) – (model ?), it does include infrastructure as service – as a vendor underneath the development vendor, which is HCL SCUBI, is likewise outsourcing application support – and, really, this is acknowledgement and recognition of the fact that it's very difficult

for states to acquire and then retain the expert staff and skills that are needed to support these new modeling systems. They have a (IRES ?) vendor as well. MRM is – and they're – that's – (inaudible) – that's developing that system. TCS is developing the MRM system and they are in the process, MRM, of pursuing an – (inaudible) – as a service vendor.

Importantly, they all have different exit strategies. It's important, when we're looking at cloud services (to just want to make ?) (audio break ?) – the participant's industry aware of that.

In terms of – in terms of this RFI specifically, what we're looking at in terms of more of community of cloud services. So there's specific aspects we're looking at in terms of the development process to make it more efficient, more cost-effective – again, in a complementary way to the initiatives underway – to reducing the maintenance and support, to evolving these systems gracefully. So, for example, there's one state that did a – that succeeded in a modernization, however, their technology base is going end of life. Licensing is going up by a factor of 10, 20 for that base technology. It's unaffordable. So then they have to do a re-modernization. That's something we want to avoid in the future. And of course, there's always confidentiality and security issues that we do actually want to leverage from the cloud – (up in/open) the cloud services in terms of – (inaudible) – compliance, PII-type of aspects.

OK, so in terms of the cloud broker, which is really the second major component of this outreach, first is that slide I just went through – try to understand where industry wants to – how the acquired services could play into that. The cloud broker concept is a way to have interaction or liaison between the states or consortium, the needs of those states and consortiums, to be fulfilled by the cloud service providers.

So the idea is an interaction to represent the interests of the states and consortiums with industry, to have a liaison. So if there's a specific SLA that a state is looking for in terms of interceptions of service while in a portfolio of alternatives, if industry decides to participate in this, something we're trying to understand, this could be – this vendor X could be the best fit for that, given their pricing model. So that's in essence what we're trying to achieve. But I do want to underscore – and we're going to the visual, where it talks about single states, consortium states, kind of a diagram of industry cloud services. So the broker layer is really – it really is a thin layer. And then the key aspects here are the needs of the states in the consortium and what industry can provide. And again, it's more of a portfolio or inventory of capabilities that we are looking at.

Going to a specific example in terms of the – in terms of a diagram, on slide 20. So for example, there's the legacy state I mentioned, that there's still quite a few out there that needs to modernize, this entire system. So tax benefits and appeals as described, OK? So given that state has this need, it communicates the need to the broker, OK? The broker has an inventory or capabilities listing of those that possibly could satisfy the need, in terms of what their system does, in terms of SaaS Provider 1, SaaS Provider 2, or perhaps even onboard in a systematic way with one of the consortiums that is underway, can certainly be – just to generically describe them.

So the broker will interact with the state in terms of their needs, like requirements are best met functionally, the capabilities in terms of operations support model that they're using, in terms of

SLAs, in terms of pricing models, things of that nature. So an important aspect of this RFI – there's a question regarding this and a few questions focused on this – we are trying to understand what model – to mature this model, what broker model industry thinks would make sense. And there could be a few of them. So that is one of the points that we want to emphasize that is in the RFI.

So finally, on slide 21, there is a potential, based on the outcome of this RFI process, industry's participation and informing of ITSC and USDOL, that a proof of concept or multiple proof of concepts could ensue. That would be, again, dependent on the outcome of this process as well as dependent on USDOL and potential funding on that. And as Joe mentioned, ITSC has a steering committee, so that would actually be involved in this process to that body in terms of how this moves forward. But I do want to emphasize that if there is some richness here and some opportunities, that we could really leverage and prove things out in a – again, in a complementary way to the work that's being done by the consortiums and in the specific single state, then this could be something that's pursued.

Back over to you, Joe.

MR. VITALE: Thanks, Lou.

What I'd like to do is give you a brief timeline of the events for this RFI right now. So if you look at the slide, you'll notice that we published this RFI last week, on June 16th. This is the contextual webinar today, June 24[th.] We're planning the Industry Day on July 18th, and we're really looking at that event for vendors to come in and ask questions and present, during the question period, some suggested ideas that they think would be appropriate for this model. And so we're hoping that we can get good attendance at that July 18th Industry Day.

That will also be the last day for any questions. So, as I indicated, we're taking all the questions in through this webinar. We'll be taking questions through email, and the email address is uicloudrfi@itsc.org, on the website, in the RFI. It's also in this PowerPoint, so you'll be able to see it. So you can send in your questions by email up and through Industry Day July 18th. That will give us a week to answer all the questions. So those questions that we don't answer today will be answered, and all questions and answers will be posted on our website by July 25th.

And then we're looking for responses from interested vendors who are interested in responding to this RFI by August 22nd. That's the deadline for responses. And that takes us through the timeline.

Gay is going to go over the goals of Industry Day with you now.

GAY GILBERT: Right. So this webinar was intended to be primarily contextual, if you will, so that you had the sort of a backdrop for the UI system, where the IT infrastructure sits, our consortia approach and, again, to start to stimulate your thinking about how cloud technology sits in this world. Industry Day is intended to be the real technical nuts and bolts, I think. Lou went very quickly through some of the thinking so far on our side of the fence, I think, about how this might work in a UI space and how cloud technology might apply. Those are clearly some

possibilities, I guess. I think, again, we're looking to you to – and we wanted to share those again to start stimulating your thinking, but we are looking, I think, to all of you to help us innovate in this space, too. So if there are other options that you think of or other models, we certainly are going to want you to share those with us.

So again, industry day is going to be – today we want to, again, respond to your questions that are more about the context and the UI system and our infrastructure, et cetera. And the questions you've posted so far seem to be in that vein, and we'll get to those momentarily. And then Industry Day, we will be, obviously, honing in on really technical questions, I think. So if you all could – we probably, if there are technical questions up here today, may defer those to Industry Day, but again, as Joe said, they'll all be posted eventually for everyone.

So with that, Joe's going to be moderator of questions and answers, but I think we're all going to jump in here and answer them. Gary's going to put them up on the screen so you'll see what question we're responding to at any point in time. So I guess, Gary, if you could help us kick off with the first –

MR. VITALE: Thanks, Gay. Yeah, and as Gay indicated, the questions will be posted on the screen, but for everybody's edification, in case you're doing it through an iPhone and you don't have a screen, I'll read the question. And then either myself, Gay or Lou will answer the question.

So, starting right in, the first question is: Would like to know about the flexibility of response approach. It seems very geared to commercial cloud service providers, but there are other approaches that would meet well with the ITSC requirements, by which I mean that there are approaches that can uniformly address multiple providers but are not themselves a provider. Can that fit?

And the answer is, obviously, yes. As Gay indicated, we're open. So we have some models and suggestions in this RFI, but we're looking for industry to give us innovative solutions that they think can fit and satisfy the needs and the requirements that we've put forward in the RFI. So please don't be limited by what you're thinking the interpretation is. Give us your creative solutions. I hope that answers that question.

MR. ANSALDI: And as Joe was saying, I mean, those examples that are given to us are really to stimulate thought, I mean, but it is not to restrict or limit. So if you feel it's appropriate, we will certainly welcome it.

MR. VITALE: Right. Exactly. Thanks, Lou.

Lou, I'm going to ask you answer this next question. And question number two is, how is this initiative being coordinated with the existing consortium efforts?

MR ANSALDI: So, firstly we have, I think, the consortium vendors on this call, number one. Number two, there's been some representatives of the consortiums from a state perspective that participate in our steering committee that receive this. I'd say that as we march towards Industry

Day and certainly as we get RFI responses, that there's probably going to be even a tighter coupling. But again, the idea, and I need to underscore this, is to complement the work, to augment the work, OK, that is being done by the consortiums, and as you heard Gay say, that is certainly a way forward.

And of course, the consortiums as described are leveraging the Cloud services. So I think there's a two-way kind of information flow that is existing and will continue to exist.

MS. GILBERT: And this is Gay. One thing that I would add to that is one of our goals here is to leverage our Cloud – our consortia investment. So we – one of the things that – so let me just leave it at that. And there might be multiples to do that.

And we obviously have – as I think Joe maybe mentioned, this is a moving train already and we don't want to interfere with the existing investments we have with the consortia, so we both want to be cautious of that, but also to leverage the work that they're doing.

So again, one of the – for example, one of the ideas we have is a Cloud might offer the opportunity in the future for a mature consortia modernization project to onboard additional states, for example. So just a – just a thought there.

MR. ANSALDI: And just to underscore that, as Gay has mentioned, I mean, I think that is an objective, frankly, of the consortiums that are in development and probably others do that are former – or in process. So that is a – that's an important aspect of this. But again, how that gets – how that's accomplished in the mechanisms, how it's done systematically, that kind of is accomplished in a way in this kind of broker concept, and that's all it is, is a concept. So we certainly welcome ideas regarding that as well.

MR. VITALE: Thanks, Lou and Gay. The next question is would it be possible to get the names of the states regarding the UI-IT modernization status? And yes, that information is available. We – so – in two sources.

You can see in this RFI and in this presentation we gave you the list of those states that are involved in a modernization effort through a consortium. And then if you go to our website, itse.org, on the public page there is a map of the United States which lists those states that are in development or that are already modernized. So the map is there and it tells you whether they're building a UI benefits system, tax system or both. So that information is available. Of course, it changes regularly, so it – it's at a point in time.

The next question is, is the end customer funding this RFI the states or the U.S. Department of Labor? And I'll throw that over to Gay to answer.

MS. GILBERT: So the U.S. Department of Labor is – has provided funding to the information technology support center to do this overall study, of which the RFI is one – is a key component. We also have identified DOL's funding source to hopefully take us to some – a proof of concept or proof of concepts once we complete the study and assess our options.

And funding for actual implementation of Cloud solutions is to be determined, but I think one of the things that the study will help us with is to – as we look down the road to seek the resources to do this. We want to, obviously, have a good informational foundation, and this is going to be help us – help us do that. So hopefully, that answered that question.

MR. VITALE: And the next question, Gay, I'd like for you to answer also is why five consortia? Why not one consortia for all 53 states and jurisdictions?

MS. GILBERT: So there are probably multiple answers to that one. First of all, we – this is a – I mentioned this is a federal-state partnership. We have 53 different UI programs, essentially, in this country and the states have bottom-line authority on how they administer their programs, which is why they have all – they currently have all different IT infrastructures.

As we began the consortia approach, we – and I think something we've learned since is that to, at least in the initial development, there – to have more than four states – and four may be a lot, actually; three might be a better number – is challenging because of governance issues and liability and getting to agreement and –

Having said that, we want to leverage the consortia, as we said before, once they are mature to – obviously, we've learned a lot about governance and the like over time. We want to facilitate the onboarding of additional states. So these consortia will grow over time.

The other thing is that we don't think there's a single solution for the whole country, honestly. The consortia that come together have chosen each other for a variety of reasons, and Lou can probably speak to this more than I have. But they – some of it is the similarity of their lives, some of it is geographic – geography. So there were varying reasons I think why the consortia came together: size of states. So all of those factors can contribute where their technology was coming from and what their goals were for their technology. All of those things kind of played together.

So again, I think that we may not fund many more consortia because, again, one of our goals is to leverage the products that we're – are coming out of these first five. But we – we'll – that's kind of an open question moving forward, but – and again, maybe shaped by what happens with our ability to leverage the Cloud.

MR. ANSALDI: And I would just add just as Gay mentioned that there's a number of factors why the consortia come together in terms of the state participation, sometimes it cultural as well as, you know, the geographic and law similarities – similarities as Gay mentioned.

And I would also underscore being involved deeply in each of the consortiums – and Gay kind of mentioned this too – I think you need to walk before you can run. And, you know, four states, that's a big engagement, and – as well as three. So we're starting to walk and we're going to end up getting to that finish line and then we'll be ready, just as Gay mentioned, to expand out from there as needed with off-boarding and so forth.

MR. VITALE: Thanks, Lou. And Lou, I'm going to ask you to answer the next question, and that is why is the Cloud broker non-industry? Other agencies are looking at commercial vendors to play that role.

MR. ANSALDI: So that's something that I think is not prohibitive. It was noted as – well, as a footnote. I, speaking for all on this call, would actually welcome some ideas regarding that. I think we'd be open to some of those models. And as I mentioned, we are seeking input on how, you know, the broker could operate. And again, maybe there's different models.

 And then there is an aspect, frankly though, of interaction with the states and consortia in terms of a familiarity within the UI domain as well as there's kind of a trusted partnership which would have to be established and built. So those type of things can be addressed which I believe – as I introduced my answer – you know, that that is the case. I would ask anybody interested in doing so please provide that.

MR. VITALE: Thanks, Lou. I'll take the next question. It says is brokering an ongoing functional role, one-time set-up role? We envision this as ongoing; this is not a one-time thing. But again, we're looking for innovative suggestions and solutions.

Number 11 –

MR. ANSALDI: (Off mic.)

MR. VITALE: Go ahead, Lou. Did you want to add something?

MR. ANSALDI: Well just – yeah, I would just add to it real quickly is that I do think that there's an upfront kind of non-recurring aspect, of which this may be the genesis of, but it would be a ongoing activity. And again, it could be multiple type of solutions, and it turns out that some evolved more successfully than others. So that's something that, you know, we're just going to watch and monitor and see how it plays out.

MR. VITALE: Thanks, Lou. The next question is is there a way we can share our innovative models without – with you without sharing with our competitors other than the RFI response itself? The best way we could answer that is when – these RFI responses are confidential. We're not publishing them, we're not putting the responses out anywhere for public consumption. Gay?

MS. GILBERT: And I think – I think you may see a line or two in the RFI that says we reserve the right to actually invite people in for clarification, so – but that will be at our instigation.

MR. VITALE: Correct. Thanks.

The next question: the Cloud broker – and I'm going to ask you to answer this, Lou – the Cloud broker seems to be a neutral party that can recommend a different Cloud provider for each state consortia's requirements. Is this correct?

MR. ANSALDI: That is – that is a correct interpretation of one aspect. And as I mentioned, I mean, there's an expertise within this broker term, and they don't – just a side note. I don't want to overemphasize that label and the connotations in terms of – (inaudible) – takes responsibility and liability of delivery of services. That may not be the case at all. It could be just an administrative aspect.

But certainly there is kind of that neutral party aspect where there isn't a bias or there isn't, you know, some third party relationships or other company relationship, so that's really important. Speaking in part – not fully – of the states and the consortiums, working with them over time, you know, there's a significant emphasis on delivery and trust, and you know, that needs to be an important component of any solution, whatever you label.

MR. VITALE: Thanks, Lou.

We're going to go back to Gay. Has there been an explicit endorsement of cloud technology use by state workforce agencies from federal or state sources? Many states seem to be hesitant because of perceived security problems and lack of state IT control.

MS. GILBERT: Well, I can't speak for the states, although I think there probably are a few states out there who are plowing ground in the world of cloud technology. But we haven't provided a specific endorsement per se, but I think we – this exercise we're going through with this RFI and with the – with the ITSC to do this study and the proof of concept – all of that is designed to acknowledge that cloud technology has – clearly appears to have some things that would be – benefit the UI system, and we want to know what those are and what the models would look like and whether or not the value of us shaping our funding to support cloud technology for the UI system moving forward. So it's not an endorsement per se, but it's clearly a recognition that cloud technology has a role to play, I think, and we're trying to figure out which role that is and how that fits.

MR. ANSALDI: You know, from kind of a perspective – my – a technical perspective here – and just to echo, you know, what Gay – (inaudible) – and that's why – that's part of this outreach in terms of we do think that security can be addressed. In fact, I'm pretty confident that in some regard that if we addressed maybe – as well if not better than some ways it's addressed now. Being familiar with the consortiums, to give them credit as well as – there are some sprinkle of states that are pursuing on the cloud services, as well as some of the work that ITSC has done, and then in terms of state IT control, interestingly, regarding the consortiums, there is a significant involvement at the highest levels of state IT, to the point of the state CIOs, the deputy CIOs involve in nearly across all the consortiums, and they have been espousing – or certainly – in fact, advocating, you know, the use of the cloud as appropriate. So that's something I think that is kind of evolving in a – in that regard.

MR. VITALE: Thanks, Lou. I got a couple more for you. So what is your view on integrating mobile components for this modernization effort?

MR. ANSALDI: We're very interested, and I do believe there's a question set, I hope, regarding local components, or at least some questions regarding it. So within the UI functionality set, I do

believe there's absolutely an application for mobile technologies. I'm not sure as to its extent, and that would be something worthy of exploration. There are states and consortia that are pursuing, for some functions – and as Gay mentioned, there's a lot of functions, a lot of subfunctions, some that are amenable, I think, to mobile interaction, as opposed to some others, so for example, processing – doing a monetary determination – that's something that you really wouldn't deliver over mobile technology, may deliver the result. So I do think that there's a role, and I believe there's questions regarding that.

MS. GILBERT: Hi, this is Gay. I guess I would be concerned that people not get too sidetracked on that particular issue. Lou's correct that the use of mobile technology for some functions are things that states are picking up, but I think that's sort of a side thing and not the primary focus of where we want to go with this RFI. Lou, contradict me if you want to do that. (Laughter.)

MR. ANSALDI: No, I totally agree. I mean, I think it's a – it's kind of ancillary. I mean, it's a nice to have, and it's – but in terms of the mainline focus of this I think is really just to engage, you know, cloud services in an orderly fashion. So I mean, if that's something that could be offered and in some way tied in, sure, just as Gay mentioned.

MR. VITALE: Thanks, Lou. And I have one more for you. Are you marching towards a single pane of glass for entire cloud consumption?

MR. ANSALDI: Well, perhaps we need some collaboration, but given this context, I guess I'm just going to have to interpret myself. So in terms of perhaps that applying to a – to the, quote, (broker ?). I – as mentioned, I think there is potential for multiple (broker ?) type entities or models. So if that's the intent of the question, I would say no. In terms of all states having to participate in our consortium, to engage cloud services, going through whatever model or models exist, that would not be the case as well. You know, as Gay mentioned, I mean, the states are autonomous in terms of how they actually, you know, implement, you know, UI? I mean, this is an attempt to be more comprehensive in terms of leveraging across the nation, but – so they would – it wouldn't be restrictive of a states or consortia either.

MS. GILBERT: Yeah, let me add to that too. This is Gay. I would say we anticipate multiple kinds of solutions. I genuinely – having worked in this system as long as I have, am absolutely convinced – also, if you see the variety of where states are coming from, it is likely we will continue over time to still have states doing their own thing. Some of them may not join consortia ultimately. But I think we want to be sure that we're presenting options that make sense and that we think that probably there are different options that make sense for different states. So I genuinely think we are looking toward not a single solution, but multiple solutions.

MR.   : Thanks, Gay.

MR. VITALE: And it looks like the last question is will there be a recorded version of this presentation made available. And the answer to that is yes. We will be posting that presentation on our website. And the – you can see the slide that is up there now, which is the listing of the ITSC website where the RFI is published. And what I'd like to do is also please encourage you

to register for our industry day, the in-person event scheduled for July 18th at the GSA headquarters here in Washington, D.C. And please, between now and then, if you have any additional questions, you can email them in to us, and the email address is on the screen at uicloudrfi@itsc.org. And we'll entertain those questions right through the industry day. And as I indicated, once again, we'll be posting not only this webinar, the recorded version of this webinar, but all questions and answers that we've received from this RFI.

And on that note, I don't think we have any other questions, Gary. And I'd like to thank Gay and Lew and Gary for your work on this webinar. And we thank you for your attendance and hope to see you at industry day.

MR.   : Thank you.

(END)