

**The Aftermath
of COVID-19:**
*Rethinking How the
State Delivers Services
to Floridians In Need*

NOVEMBER 2020



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Senator George S. LeMieux
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

During periods of economic downturn, particularly during the current COVID-19 pandemic, more Florida families are forced to turn to public safety net programs for assistance. Increased caseloads coupled with limited and strained state resources have created backlogs, which delay the provision of services to those in need. Application surges during the COVID-19 pandemic have exposed the shortcomings of the current state-administered, federal safety net programs, especially the Reemployment Assistance (Unemployment Insurance) program.

Florida TaxWatch undertakes this independent analysis in response to these shortcomings. Now is the time for innovative solutions and efficient implementation of needed changes to make sure Floridians in need receive these services without delay. This report explores Florida's opportunity to implement more efficient and cost-effective business processes, thus reducing the size of government, saving the taxpayers money, and improving service delivery to Floridians in need.

Governor Ron DeSantis has recently appointed former State Representative Dane Eagle as Executive Director of the Department of Economic Opportunity and former State Representative Jamie Grant as the state's Chief Information Officer to address many of the concerns documented in this report. It is our desire that this analysis and its public policy recommendations are timely, relevant, and useful as Executive Director Eagle, CIO Grant, and the state assess and make these and other appropriate reforms.

TaxWatch is pleased to present this report and its recommendations, and we look forward to a continued discussion with Governor DeSantis, Florida lawmakers, and policymakers during the 2021 legislative session and beyond.

Sincerely,

Dominic M. Calabro
Dominic M. Calabro
President & CEO

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Executive Summary

Florida reported its first coronavirus (COVID-19) case in March 2020. The number of cases increased exponentially during the second half of March and have remained at an elevated level ever since. To slow the spread of the virus, the Governor declared a state of emergency. “Stay at home” orders and social distancing mandates were issued for parts of the state, and then statewide. All “non-essential” businesses were ordered closed. Schools were shuttered and students received instruction for the remainder of the 2019-20 school year through distance learning.

The economic impacts of COVID-19 began to manifest themselves immediately. As businesses closed, tens of thousands of Floridians (including many workers in low-wage, low-skilled positions in Florida’s tourism and hospitality industries) lost their jobs. Predictably, the hardships caused by the COVID-19 pandemic forced more Florida families to turn to government “safety net” programs such as Reemployment Assistance (a/k/a Unemployment Insurance), SNAP (a/k/a food stamps), Temporary Assistance to Needy Families (TANF), and Medicaid. The state agencies administering these federal safety net programs received a crushing surge of applications for program benefits.

The increased caseloads, coupled with limited and strained state resources, exposed numerous shortcomings in the state’s administration of these federal safety net programs, especially the Reemployment Assistance program which collapsed under the surge of applications. The state’s response, which may best be characterized as “all hands on deck,” was hampered by several factors, including: (1) outdated federal rules governing the administration of the safety net programs; (2) red tape and delays; (3) outdated Reemployment Assistance technology; and (4) burdensome public hiring processes and requirements. Exposing these shortcomings presents opportunities for the state to innovate, modernize, and improve accountability in order to more efficiently deliver safety net programs and services to Floridians in need.

More flexible staffing provisions will help states respond faster and more effectively. The outdated federal rules requiring the use of merit system personnel to administer federal safety net programs seriously undermine states’ ability to rapidly respond to emergencies such as COVID-19. The immediate response of the state agencies administering the safety net programs was to reassign untrained state agency personnel who are not necessarily skilled for the task and train them as quickly as possible to staff the call centers. Under current law, states cannot use private contractor staff to make eligibility determinations, process claims, conduct recertifications, etc. This makes it extremely difficult for states to “ramp up” their ability to provide safety net program services and benefits to those in need during emergencies like COVID-19.

Congress recognized this problem when it included provisions in the CARES Act (Section 2106) to provide additional emergency flexibility to hire temporary staff or to take other temporary actions to quickly process unemployment assistance applications and claims. States would not be required to hire private contractors, but they would have the option. States using private contractor staff would still need to meet the merit system requirements contained in law.

It is important that the state shift the focus away from preventing claimants from receiving incorrect benefits to getting assistance to those in need as quickly as possible. This requires finding ways to cut through the red tape and bureaucratic delays that applicants for safety net programs experience to make enrollment easier and faster.

Florida’s CONNECT website has never worked as intended and it is unlikely that it ever will, absent the expenditure of considerable additional state funds. Instead of constantly trying to “fix” the outdated and obsolete CONNECT system, moving the state’s Reemployment Assistance program to the cloud can reduce the costs of maintaining and managing this technology platform. Outsourcing both the Reemployment Assistance technology and business processes, when properly procured, can permit the

Reemployment Assistance program to scale up during emergencies like the COVID-19 pandemic without having to purchase expensive equipment or hire new employees, and then scale back down as the demand diminishes. Through proper outsourcing, a private contractor can apply “best-of-breed” technologies as needed to improve business processes and overall customer outcomes.

Rather than hiring additional agency employees, state and local agencies can outsource core business processes, such as eligibility determinations and processing claims, to a private contractor that: (1) has program knowledge and experience managing federal needs-based programs. Many of these companies hire employees from the federal agencies that establish and interpret the requirements for these programs; (2) employs a workforce that complies with the merit system principles and requirements contained in current law; (3) has superior technology; (4) has the staffing flexibility to scale up (or down) comfortably; and (5) better manages and shares the risk.

Providing more highly-skilled and highly trained workers and best-of-breed technology helps minimize risk to the state and improve customer service. State and local governments use contractors for a variety of purposes (e.g., building roads and schools, etc.), so using contractors to make eligibility determinations and process claims is nothing new.

Improved contracting can produce better outcomes and greater accountability. The inclusion of “guardrails,” for example, can help to ensure alignment with an organization’s mission by establishing boundaries that can be used to guide decision making and keep people focused and on the right track.

Reforming Florida’s procurement system is necessary to ensure that all contracts for large-scale IT projects such as CONNECT: (1) designate an Executive Sponsor who has complete responsibility for the project; (2) includes a well-defined project plan; (3) divides the project scope of work into discrete increments which will permit the final product to be delivered, tested, and accepted incrementally to increase the likelihood of success; and (4) addresses what happens at the end of the agreement.

Additional measures must be put into place to ensure that, for every large-scale IT project such as CONNECT: (1) key stakeholders are identified and their input and commitment to make the project a success is secured; (2) competent and skilled contract negotiators and project managers are appointed; (3) a multi-year financial model, with funding that spans a number of state budget cycles and covers the entire project life cycle, is developed and maintained; (4) stakeholders and end users are trained and educated on the value of the product and the new operating procedures; and (5) a governance model/structure that assigns accountability at each level of the project and provides a framework to guide decision-making, problem solving, and conflict resolution is in place.

This is where staffing flexibility and procurement reform can benefit Florida taxpayers. Rather than hiring additional merit system employees or reassigning existing staff from other agencies to help prop-up a dysfunctional and inefficient system, the state can contract with expert service providers in the private sector to add capacity, such as eligibility determinations and processing unemployment insurance claims, and increase efficiency through innovation, modernization, and accountability.

Using contracted expert service providers can provide flexibility, competent workers, and best-of-breed technology that will improve customer service. However, state agencies must be careful to partner with outside vendors that have the resources and scalability to accept the risk and be accountable for quality outcomes, secure client data, and lower costs, and the state must hold vendors accountable for quality outcomes, secure client data, and lower costs.

Outsourcing public business processes, such as eligibility determinations or unemployment insurance claims, has the potential to permit Florida to implement more efficient and cost-effective business processes, thereby reducing the size of government, saving the taxpayers money, and improving service delivery to needy Floridians.

Introduction

On March 1, 2020, Florida reported its first coronavirus (COVID-19) case. Since then, the number of COVID-19 cases reported statewide has increased dramatically. As shown in Figure 1, the number of cases increased exponentially during the second half of March before skyrocketing in mid-June. To slow the spread of the virus, the Governor declared a state of emergency. “Stay at home” orders and social distancing mandates were issued for parts of the state, and then statewide. All “non-essential” businesses were ordered closed. Schools were shuttered and students received instruction for the remainder of the 2019-20 school year through distance learning.

The economic impacts of COVID-19 began to manifest themselves immediately. As businesses closed, tens of thousands of Floridians lost their jobs. At a glance, the numbers are staggering:

- the number of unemployed Floridians went from 300,000 in February, to more than 1.31 million in May;¹
- Florida’s unemployment rate increased from 2.8 percent in February 2020 to 13.8 percent in April, an increase of almost 500 percent in the span of two months;²
- pre-pandemic, the number of weekly claims for Reemployment Assistance averaged about 5,000; however, weekly claims skyrocketed to more than 500,000 by mid-April (fig. 1);³
- from mid-March to mid-October, more than 4.3 million unemployment insurance claims were filed; of this total, 2.1 million claims were deemed eligible, and 97.1 percent of those have been paid (total of \$17,541,566,253);⁴

- the number of Floridians receiving food stamps has increased from 2.68 million in March 2020 to 3.94 million in September 2020, an increase of 47 percent;⁵
- from April to September, the number of Floridians receiving TANF benefits increased 61.8 percent, from 54,345 to 87,934,⁶ and the forecast through 2026 adds another 8,805;⁷ and
- the number of Floridians receiving Medicaid benefits increased about 14.2 percent, from 3.17 million in March to 3.62 million in September,⁸ and the forecast expects a 14.39 percent increase this year.⁹

● KEY— The red dot on each of the following charts represents March 27, when the daily case count exceeds just 600, shutdowns swing into full effect statewide, and the onslaught on the social programs begins

Fig. 1. Unemployed Floridians

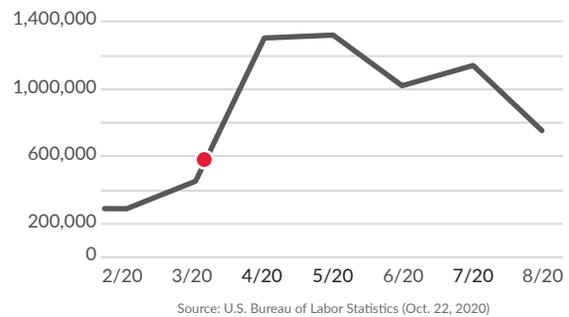
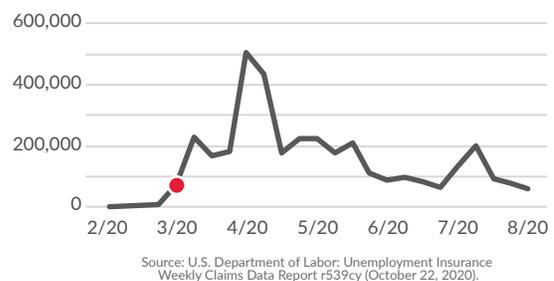


Fig. 2. Florida Reemployment Assistance Claims



1 U.S. Bureau of Labor Statistics, “Economy at a Glance” Florida,” retrieved from <https://www.bls.gov/eag/eag.fl.htm>, October 22, 2020.
 2 Florida Department of Economic Opportunity, “Workforce Statistics Data Releases, Latest Statistics,” retrieved from <https://floridajobs.org/workforce-statistics/workforce-statistics-data-releases/latest-statistics>, July 13, 2020.
 3 U.S. Department of Labor: Unemployment Insurance Weekly Claims Data Report r539cy, retrieved from <https://oui.doleta.gov/unemploy/wkclaims/report.asp>, October 22, 2020.
 4 Florida Department of Economic Opportunity, “State and Federal Reemployment Assistance Claim Workflow March 15, 2020 – October 20, 2020,” retrieved from <http://lmsresources.labormarketinfo.com/covid19/index.html>, October 22, 2020.

5 State of Florida, “Public Assistance Caseload Report,” Food Stamp Clients, accessed October 22, 2020.
 6 State of Florida, “Public Assistance Caseload Report,” TANF Clients, accessed October 22, 2020.
 7 Social Services Estimating Conference, “Temporary Assistance for Needy Families Assistance Payments,” July 14, 2020.
 8 State of Florida, “Public Assistance Caseload Report,” Medicaid Clients, accessed October 22, 2020.
 9 Social Services Estimating Conference, “Medicaid Caseload Summary,” July 28, 2020.

Fig. 3. COVID-19 Daily New Cases in Florida

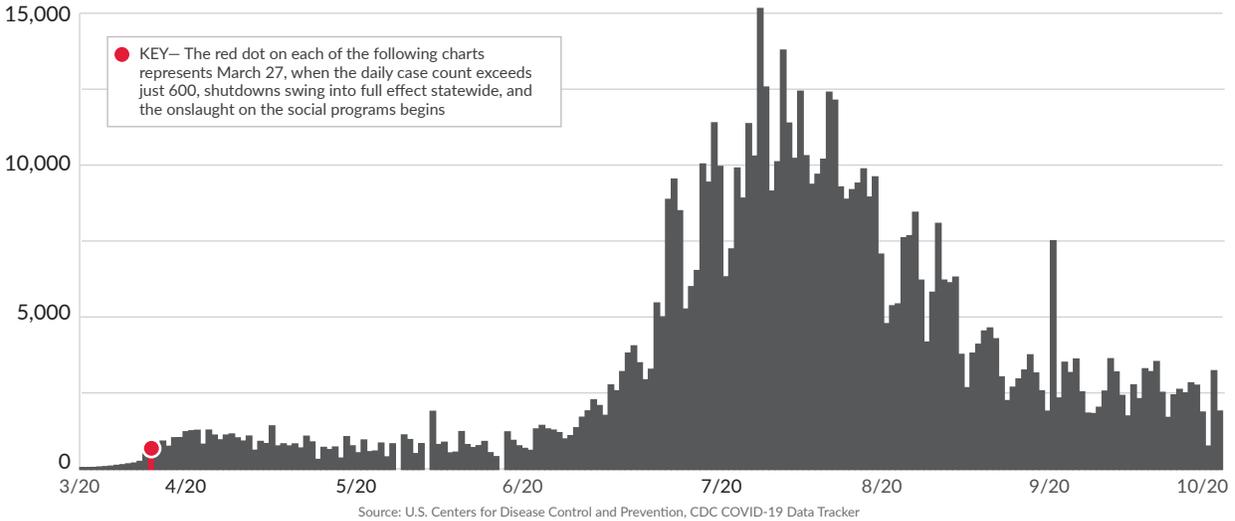


Fig. 4. Floridians Receiving SNAP Benefits (Food Stamps)

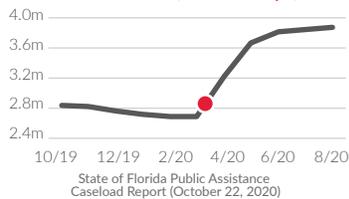


Fig. 5. Floridians Receiving Medicaid Coverage

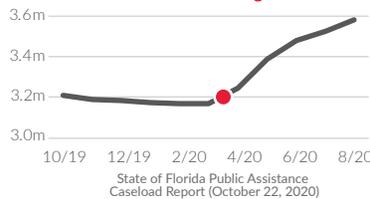
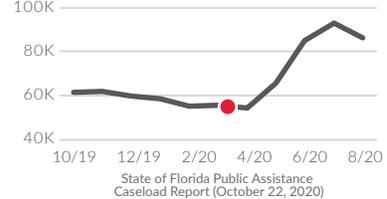


Fig. 6. Floridians Receiving TANF Benefits



State Response to the Surge in Applications for Safety Net Program Benefits

As a result of the skyrocketing unemployment resulting from the COVID-10 pandemic, state agencies administering the federal safety net programs received a crushing surge of applications for safety net program benefits. Nowhere were the impacts of this surge more evident than in the state’s Reemployment Assistance / Unemployment Insurance program.

Designed to accommodate up to 60,000 simultaneous connections by individuals filing claims for Reemployment Assistance, the state’s \$77 million automated CONNECT website collapsed under the crush of applications. The state’s call center, which functions as a back-up to CONNECT, was unable to accommodate the number of callers for assistance.

“From August 2019 to February 2020 the contact center took a total of 2.3 million calls. The DEO received 3.8 million calls in just last week. That dramatic increase in call volume has prevented people from being able to connect to DEO and then the flood to the website -- the website couldn’t even handle it.”

FLORIDA GOVERNOR RON DESANTIS¹⁰

The state’s response to the backlogs and delays created by the collapse of the CONNECT website can be best described as “all hands on deck.” More than 2,000 non-essential state agency employees were redirected from their normal duties and quickly trained to help DEO manage the increased call volume and process the surge of new Reemployment Assistance applications. Paper applications were

¹⁰ Erin Dobrzyn, “2,000 Employees, New Internet Servers Added to Take Florida Unemployment Claims,” CLICKORLANDO.com, April 6, 2020, retrieved from <https://www.clickorlando.com/news/local/2020/04/06/2000-employees-new-internet-servers-added-to-take-florida-unemployment-claims/>, October 22, 2020.

created for those who did not have internet access or who could not access the CONNECT website, or who contacted the call center only to be placed on hold for hours.

“The best time to call ... is late afternoon. But be prepared to sit on the phone for about an hour and a half.”

*SECRETARY JONATHAN SATTER
DEPARTMENT OF MANAGEMENT SERVICES¹¹*

Computer processing speed and capacity were significantly beefed up on the CONNECT website. Additional (72) internet servers increased capacity for the website from 60,000 to 120,000 simultaneous connections by individuals filing claims. In response to the backlog of public assistance applications, the Department of Children and Families (DCF), which administers the SNAP program, reassigned 1,300 state agency employees to its call center to help manage the increased call volume and process the surge of new applications.¹² A corporate partner of DCF also assigned 100 employees to DCF’s call center, bringing the total number of available call center agents to 1,000 by the end of April 2020.¹³

Factors Hampering the Delivery of State-Administered Safety Net Programs

The state’s ability to accept and process applications for Reemployment Assistance and other safety net program services to needy Floridians during the COVID-19 pandemic has been hampered by a number of factors:

- Outdated federal rules and policies have historically guided the state’s administration of

the safety net programs including Medicaid, SNAP, TANF, and Reemployment Assistance (unemployment insurance);

- The red tape and delays that were onerous before the outbreak have become a nightmare for hundreds of thousands of Floridians who have lost their jobs and associated benefits because of the pandemic;
- Outdated Reemployment Assistance technology resulted in the collapse of Florida’s online automated Reemployment Assistance program (CONNECT); and
- Burdensome public hiring processes and requirements make it difficult to: (a) hire a sufficient number of highly-skilled trained state employees quickly to accommodate the increased demand for safety net services; and (b) terminate them when they are no longer needed.

Outdated Federal Rules and Policies

The use of merit systems is a long-standing tenet in the administration of public programs. A merit system is a legally established set of procedures created to implement the merit principle in recruitment, selection, promotion, retention, and compensation of employees.¹⁴ As a condition of eligibility to participate in many federal grant-in-aid programs (such as Medicaid and TANF), the federal rules that govern the administration of safety net programs (that were put into effect almost 80 years ago)¹⁵ require state and local governments to have in place a merit system for employees who are engaged in administering the federal program.

These rules were created to provide for the:

- Recruitment and appointment of personnel through open competitive examinations;
- Prohibition of discrimination and certain limitations on political activity;
- Systematic classification of jobs and the establishment of equitable pay plans;

¹¹ Jim Turner, “Expect to Wait on Calls About Jobless Claims,” News Service of Florida, May 22, 2020, retrieved from https://www.midfloridanewspapers.com/highlands_news-sun/corona_coverage/expect-to-wait-on-calls-about-jobless-claims/article_d3f7609a-9acb-11ea-8fcb-07133f9e8166.html, October 22, 2020.

¹² Department of Children and Families, “Governor Ron DeSantis and the Department of Children and Families Announce Extended Support to Floridians Participating in SNAP and TANF,” Press Release, April 30, 2020.

¹³ Department of Children and Families, “Governor Ron DeSantis and the Department of Children and Families Announce Extended Support to Floridians Participating in SNAP and TANF,” Press Release, April 30, 2020.

¹⁴ Richard C. Kearney and Patrice Mareschal, “Labor Relations in the Public Sector, Third Edition,” CRC Press, October 2000.

¹⁵ Congress has not included a state employee requirement for eligibility determinations in any new state-administered federal safety net program since the enactment of the modern food stamp program in 1977 --- nearly 45 years ago.

- Promotion on the basis of capacity and service, and
- Security of tenure based on efficient performance, with separations for cause.¹⁶

While the merit system has many positive benefits (and is certainly well-intentioned), some of the drawbacks include limiting innovation, modernization, and accountability within the programs. Past interpretations of the federal law governing state administration of these programs – the Intergovernmental Personnel Act of 1970 and its implementing regulations – has limited states to using only state employees to be compliant, which meant that states could not use contract employees or contracted services to achieve the outcomes of these programs in a more efficient and effective manner. These interpretations seriously undermine the ability of states to rapidly and effectively respond to emergencies such as COVID-19.

At the time of the first COVID-19 case in Florida, what private contractors could and could not do is summarized in Table 1. All four of the federal programs discussed in this report (TANF, SNAP, Medicaid, and Reemployment Assistance/Unemployment Insurance) are permitted to use contract employees for information technology and electronic benefits transfer (EBT); answering general questions; and training.

The rules governing the administration of the TANF program afford the state the greatest flexibility regarding the use of contract employees. In addition to the functions discussed above, the rules governing the administration of TANF permit contract employees to conduct interviews; take and process applications; verify information and do fact-finding; make eligibility determinations and redeterminations; enter and change information into the TANF system; act on findings of waste, fraud, and abuse; and answer both simple and complex case-specific questions. None of the other three programs affords that level of flexibility.

The Medicaid program permits contract employees to conduct interviews; take and process applications; initiate (but not finalize) eligibility determinations and redeterminations; verify information and do fact-finding; enter and change limited information into the Medicaid system; initiate (but not finalize) actions on findings of waste, fraud, and abuse; and (generally) answer both simple and complex case-specific questions.

The SNAP program permits contract employees to perform limited intake and application screening, and limited verification and fact-finding. Contract employees may not take any action on findings of fraud, waste and abuse; they may not conduct interviews or make eligibility determinations or redeterminations; they may not enter into or change any information in the SNAP system; and they are limited in their ability to answer simple or complex case-specific questions.

Finally, contract employees are permitted to enter into or change any information in the Reemployment Assistance/Unemployment Insurance (RA/UI) system; and they are generally able to answer simple or complex case-specific questions. Prior to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, however, contract employees could not act on findings of fraud, waste, and abuse; conduct interviews; take and process applications; initiate or finalize eligibility determinations and redeterminations; or verify information and do fact-finding. In response to the COVID-19 pandemic, Section 2106 of the CARES Act provides states with temporary (through December 31, 2020) “emergency” flexibility to hire temporary staff or to take other temporary actions to quickly process Reemployment Assistance applications and claims.

Shortly after the CARES Act was signed into law (March 27, 2020), the DEO spent more than \$100 million in April on contracts with four private contractors to help handle the calls and process the surge of Reemployment Assistance applications. It is unclear to what extent contract employees were permitted or sufficiently trained to conduct interviews, take and process applications, initiate or finalize eligibility determinations and redeterminations, or

¹⁶ Albert H. Aronson, “Merit System Objectives and Realities,” *Bulletin*, April 1950, retrieved from <https://www.ssa.gov/policy/docs/ssb/v13n4/v13n4p3.pdf>, July 31, 2019.

**Table 1. Opportunities to Align Federal-State Health & Human Services Programs
Are Contractors Allowed to Perform the Following Functions?**

	TANF	Medicaid	RA/UI	SNAP
Information technology (includes software/hardware, EBT)	Yes	Yes	Yes	Yes
Answer general program questions	Yes	Yes	Yes	Yes
Employment and training	Yes	Yes - voluntary programs	Yes	Yes
Program integrity/fraud, waste and abuse --- act on findings	Yes	Initiate, but not finalize	Pre-2020: no CARES Act provided temporary authority (through Dec. 31, 2020)	No
Intake & application processing	Yes	Yes		Limited screening
Conduct interviews	Yes	Yes		No
Verification & fact-finding	Yes	Yes		Limitations
Eligibility determinations	Yes	Initiate, but not finalize		No
Redeterminations	Yes	Initiate, but not finalize		No
Entering & changing information in the system (e.g., status changes)	Yes	Limitations	Yes	No
Answer simple case-specific questions	Yes	Generally Yes	Generally Yes	Broadly no - USDA approval required
Answer complex case-specific questions	Yes	Generally Yes	Generally Yes	Generally no

Source: Simon & Co, LLC

verify information and do fact-finding (all of which were permissible under the CARES Act). They were, however, able to answer questions and enter or change information in the Reemployment Assistance system.

Citing poor performance, the DEO canceled contracts with two companies hired in April to handle overflow calls from applicants trying to access unemployment benefits through the CONNECT system. These two companies provided almost 1,000 call center agents. According to an employee of one of the companies whose contract was eventually terminated, employees were given a list of answers to common questions but did not have access to claims or the ability to submit information. There was almost no communication between employees and DEO and not even call center supervisors could submit claims.¹⁷

17 Christopher Heath, "Former Unemployment Call Center Employee: 'You Couldn't Help These People; We Were Babysitters,'" WFTW.com. retrieved from <https://www.kiro7.com/news/trending/former-unemployment-call-center-employee-you-couldnt-help-these-people-we-were-babysitters/O7HZMJVBQBE-QXL2O7Z43V37MBQ/>, October 9, 2020.

"...you come to find out that you can get into the account, but you can only see so much and you can only do so much... Someone would call and they would be crying and ecstatic that they finally got a human being after they've been on hold for four hours... People are mad because they are waiting three hours, and I can't help them submit their application because we don't have a submit button."

PRIVATE CONTRACTOR EMPLOYEE¹⁸

Red Tape and Delays

The red tape and delays that were onerous before the outbreak of COVID-19 have become a nightmare for hundreds of thousands of Floridians who have lost their jobs and associated benefits because of the pandemic. Florida officials have been accused of designing the Reemployment Assistance program

18 Christopher Heath, "Former Unemployment Call Center Employee: 'You Couldn't Help These People; We Were Babysitters,'" WFTW.com. retrieved from <https://www.kiro7.com/news/trending/former-unemployment-call-center-employee-you-couldnt-help-these-people-we-were-babysitters/O7HZMJVBQBE-QXL2O7Z43V37MBQ/>, October 9, 2020.

to intentionally limit benefits so state officials could show lower unemployment numbers, thereby reducing the unemployment taxes paid by Florida businesses.

Florida's reemployment program excludes workers in the "gig" economy (e.g., Uber drivers, freelance workers, etc.), as well as people who are self-employed or who work part-time. Before being granted a waiver, applicants were required to re-certify every two weeks that they were still unemployed. Many applicants were determined to be ineligible for benefits without explanation why and without being told how to proceed. Applicants were routinely kicked out of the system during the application process and were unable to reach anyone by phone who could help them.

Outdated Reemployment Assistance Technology

Applications for Reemployment Assistance are routinely filed online using CONNECT, the state's \$77 million automated Reemployment Assistance program operated by the DEO. First launched in 2013, CONNECT was designed to be "a fully-integrated Web-based claims management system that includes the following Reemployment Assistance Program functions: initial and continued claims, wage determination, adjudication, appeals, benefit payment control, and program integrity."¹⁹ Since its launch in 2013, CONNECT has not worked as intended.

"The rollout of the new computer system has not gone as hoped or as promised by the vendor... no one is more disappointed or frustrated about that than the hardworking staff at DEO."

*JESSE PANUCCIO, EXECUTIVE DIRECTOR
DEPARTMENT OF ECONOMIC OPPORTUNITY²⁰*

When CONNECT was initially launched, weekly payments were delayed for thousands of claimants while U.S. Department of Labor staff and a second vendor, hired at a cost of \$365,000, were brought on board to help fix the website.²¹ The initial contract was for \$40 million; however, the contract was subsequently amended 14 times and the total cost of the contract increased to \$77.9 million.

A February 2015 report by the Florida Auditor General²² identified 31 specific areas in which improvements in CONNECT application input, processing, and output controls, as well as application-level general controls and operational processes, were needed. A November 2016 follow-up audit²³ found that many of the issues identified in the first audit remained unresolved. The most recent (2019) audit²⁴ confirmed many unresolved issues contained in the previous audits.

To meet the initial technical challenges of CONNECT and to make sure pre-pandemic claimants were timely paid while system issues were worked out, DEO was forced to take steps outside of the regular application system processing, including:

- Increasing the number of Reemployment Assistance staff from 970 to approximately 1,200;
- Agents were added to call centers and claims adjudicators were added;
- Hours of operation were increased, and a seven-day work week was instituted; and
- Manual overrides to push claims adjudications through the process were put in place.²⁵

¹⁹ Auditor General, "Department of Economic Opportunity, Reemployment Assistance Claims and Benefits Information System (CONNECT)," Report No. 2019-183, March 2019.

²⁰ Caroline Cournoyer, "Feds to Help Fix Florida's Unemployment Website," Governing, January 16, 2014, retrieved from <https://www.governing.com/news/headlines/Feds-to-Help-Fix-Floridas-Unemployment-Website.html>, September 21, 2020.

²¹ Caroline Cournoyer, "Feds to Help Fix Florida's Unemployment Website," Governing, January 16, 2014, retrieved from <https://www.governing.com/news/headlines/Feds-to-Help-Fix-Floridas-Unemployment-Website.html>, September 21, 2020.

²² State of Florida Auditor General, "Department of Economic Opportunity CONNECT, Information Technology Operational Audit," Report No. 2015-107, February 2015.

²³ State of Florida Auditor General, "Department of Economic Opportunity Reemployment Assistance Claims and Benefits Information System," Report No. 2017-039, November 2016.

²⁴ State of Florida Auditor General, "Department of Economic Opportunity Reemployment Assistance Claims and Benefits Information System (CONNECT)," Report No. 2019-183, March 2019.

²⁵ State of Florida Auditor General, "Department of Economic Opportunity CONNECT, Information Technology Operational Audit," Report No. 2015-107, February 2015.

It is important to note that these measures were required to process applications and claims during a time when Florida's unemployment rate ranged from 6.7 percent to 7.9 percent.²⁶ It should come as no surprise that CONNECT collapsed under the additional surge of COVID-19-related Reemployment Assistance claims.

“When you're in a situation like this, that's the equivalent of throwing a jalopy in the Daytona 500... It's just not going to cut it and so you need to expand capacity. Big time.”

GOVERNOR RON DESANTIS²⁷

Burdensome Public Hiring Requirements

Florida's burdensome processes for hiring state agency employees made it difficult for DEO and DCF to hire new employees quickly to handle calls and process safety net program applications and claims, leaving the state little option but to procure on an emergency basis several private contractors to staff call centers. The state's hiring process involves a number of time-consuming steps, including:

- Completing and submitting a comprehensive employment application;
- Screening and interviewing the most-qualified applicants;
- Background / criminal history checks; and
- Drug testing (for designated “sensitive” positions or positions of trust / responsibility).

Florida's state agency employment process makes it difficult to terminate state employees quickly after emergency conditions subside. After a specified period of satisfactory performance, rank-and-file state employees have rights and processes for grievances and to appeal dismissal.

What Needs to be Done?

In recent months, COVID-19 has spread across the globe causing infection and death and wreaking economic havoc. Closures and cancellations coupled with efforts to stop or slow the spread of COVID-19 in Florida have crippled Florida's tourism and hospitality industries and small businesses. Millions of Florida workers have been and/or could be directly impacted by the economic downturn resulting from COVID-19.²⁸ The financial and economic impacts on these industries are likely to remain long after the COVID-19 pandemic goes away.

COVID-19 has exposed the shortcomings of the current state-administered, federal safety net programs, especially the Reemployment Assistance program. During the first four to six weeks of the COVID-19 pandemic, tens of thousands of Floridians who were unable to work due to COVID-19 were denied benefits. More than 40 percent of more than 800,000 verified claims submitted were declared ineligible, and many of those determined to be ineligible received no immediate guidance as to why their claims were denied or how to move forward.^{29,30}

Exposing these shortcomings presents opportunities for the state to innovate, modernize, and improve accountability in order to more efficiently deliver safety net programs and services to Floridians in need. This innovation and modernization are necessary to get unemployed Floridians back to work as quickly as possible to aid in Florida's economic recovery.

²⁶ U.S. Bureau of Labor Statistics, “Economy at a Glance” Florida,” retrieved from https://data.bls.gov/timeseries/LASST120000000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true, October 22, 2020.

²⁷ Nick Jones, “DeSantis Likens Unemployment Website to ‘Throwing a Jalopy in the Daytona 500,’” News4JAX, May 20, 2020, retrieved from <https://www.news4jax.com/news/florida/2020/05/19/desantis-likens-unemployment-website-to-throwing-a-jalopy-in-the-daytona-500/>, October 22, 2020.

More Flexible Staffing Provisions Will Help States Respond Faster and More Effectively

Under federal law, the state could not hire private contractors to conduct Reemployment Assistance interviews, take and process applications, initiate or finalize eligibility determinations and redeterminations, or verify information and do fact-finding. This made it extremely difficult for the state to “ramp up” its ability to provide safety net program services and benefits, particularly Reemployment Assistance/Unemployment Insurance, to those in need during the outbreak of COVID-19. The immediate response of the state agencies administering the safety net programs was to reassign untrained state agency personnel who are not necessarily skilled for the task and train them as quickly as possible to staff the call centers.

Congress recognized this problem when it included provisions in the CARES Act (Section 2106) to provide additional emergency flexibility to hire temporary staff or to take other temporary actions to quickly process unemployment assistance applications and claims. Florida TaxWatch has long maintained that private sector employment practices are inherently superior to civil service/merit systems.³¹ As more Floridians lose their jobs, more Florida families will be forced to rely on federal assistance programs to meet their needs. The state’s share of Medicaid costs will likely skyrocket as thousands who lose not only their jobs, but their health insurance as well, will look to this program to meet their healthcare needs. The increased caseloads, coupled with limited and strained state resources, will force state and local government agencies that administer these federal programs to either hire additional state agency employees, reduce levels of customer service, or look for more innovative ways to administer the federal programs.

This is where the additional personnel staffing flexibility can benefit state and local governments. Florida’s Congressional delegation should lead the charge to make permanent the temporary provisions in the CARES Act (Section 2106) that provide

additional emergency flexibility to hire temporary staff or to take other temporary actions to quickly process Reemployment Assistance applications and claims. States should not be required to hire private contractors to more quickly process safety net program applications and claims, but they should have that option if that is deemed to be the most efficient way to deliver safety net services.

Shifting the Focus to Getting Assistance to Those in Need as Quickly as Possible Will Help States Respond Faster and More Effectively

During emergencies like the COVID-19 pandemic, it is important that the state shift the focus away from preventing claimants from receiving incorrect or improper benefits to getting assistance to those in need as quickly as possible. There are things the state can do to cut through the red tape and bureaucratic delays to make enrollment easier and faster, and that make sure those in need of assistance receive it as quickly as possible. These include:

- Eliminating denials based on red tape and bureaucratic requirements;
- Authorizing safety net program benefits first and then verifying program eligibility. State and federal agencies have considerable resources (e.g., Internal Revenue Service) to identify and recover improper benefit payments;
- Relaxing requirements (e.g., weekly or bi-weekly reporting of employment status, in-person interviews, etc.) to reduce administrative burdens and free up more time to process applications and claims;
- Borrowing best practices from other federal programs, such as Social Security, that deliver benefits with minimal administrative burdens and fraud; and
- Using administrative data from one safety net program (e.g., SNAP or TANF) to make enrollment in other safety net programs (e.g., Reemployment Assistance) easier and faster.

³¹ Florida TaxWatch, “Briefing – Modernizing Florida’s Civil Services: A Necessary Beginning for Meaningful Change,” January 2001.

Stop Trying to “Fix” the Outdated and Obsolete CONNECT Website

Nowhere were the shortcomings more obvious than the failure of the state’s CONNECT website. The CONNECT website has not worked as intended and it is unlikely that it ever will, absent the expenditure of millions of dollars of additional state funds. Designed to accommodate a fraction of the applications for Reemployment Assistance benefits filed during the pandemic, the CONNECT website collapsed under the surge of applications filed by unemployed Floridians.

Six years after its implementation, however, reports by the state Auditor General continue to identify problems that preclude the accurate and timely processing of claims and that result in the overpayment of benefits and erroneous claimant and employer charges. These are problem areas that exist during normal times, and that increase significantly during emergencies like COVID-19.

In fairness to the state, even if the CONNECT website worked as intended it is unlikely that it would have been able to handle the surge of Reemployment Assistance applications that has resulted from COVID-19. But, if the CONNECT website did perform as intended, more unemployed Floridians would have received unemployment benefits sooner.

The CONNECT website was implemented at a time before cloud computing was as well-known or popular as it is today. Many businesses and governments today avoid the costs of big, new information technology platforms that rapidly become obsolete, and many of the risks associated with storing and processing large databases and running complex software, by outsourcing these business processes to private contractors who have cloud computing capabilities. Instead of constantly trying to “fix” the outdated and obsolete CONNECT system, moving the state’s Reemployment Assistance program to the cloud can reduce the costs of maintaining and managing this technology platform.

Outsourcing, when properly procured, can permit the Reemployment Assistance program to scale up

during emergencies like the COVID-19 pandemic without having to purchase expensive equipment or hire new employees, and then scale back down as the demand diminishes. Through proper outsourcing, a private contractor can apply “best-of-breed” technologies as needed to improve business processes and overall customer outcomes. Having state employee data stored in the cloud helps to ensure that it is backed up and more secure.

Outsourcing Business Processes Can Help Overcome Delays Caused by Bursensome Public Hiring Processes and Requirements

Rather than hiring additional employees, the additional flexibility afforded under Section 2106 of the CARES Act allows state and local agencies to outsource core business processes, such as eligibility determinations and processing Reemployment Assistance claims, to a private contractor that:

- Has program knowledge and experience managing federal needs-based programs such as SNAP, TANF, and Unemployment Insurance. Many private contractors hire employees from the federal agencies that establish and interpret the requirements for these programs.
- Has superior technology. Florida’s CONNECT website has been widely criticized as having poorly designed and antiquated architecture with limited scalability and reliability. When properly procured, private contractors can perform these business processes using more modern (best-of-breed) hardware and software.
- Has the staffing flexibility to scale up (or down) comfortably. Many private contractors have the capacity to bring in additional trained staff when needed to process claims and applications on a 24-hour a day, seven day a week basis to reduce or eliminate backlogs. This also permits the agencies to make more-efficient use of their merit system employees.
- Better manages and shares the risk. Providing more competent workers and best-of-breed technology helps minimize risk to the state and improve customer service.

Improved Contracting Can Produce Better Outcomes and Greater Accountability

The problems with the CONNECT website reflect the state's well-documented problems implementing large-scale technology platforms. Poor planning, poor contracting, and poor contract oversight and management have characterized large-scale technology projects in Florida as far back as People First, MyFloridaMarketPlace, and Project Aspire. The state must take steps to improve its planning and contracting of large-scale IT projects.

“Guardrails” are tools to ensure alignment with an organization's mission and to establish boundaries that are used to guide decision making and keep people focused and on the right track. The proper procurement of vendors to help in the administration of safety net programs requires state agencies to include provisions in vendor contracts to ensure that:

- Eligibility determinations are based upon clear and objective criteria;
- Contractors are not subject to the limitations contained in federal law and regulations (e.g., IPA of 1970) as long as the contractor certifies that its employment policies and processes reflect the merit system principles established in Title 5 CFR, Part 900, Subpart F;
- The timeframes for handling determinations/appeals are reasonable, and penalties for failure to meet those timeframes are expressly clear and understood;
- Contractor compensation is not tied to specific goals or objectives associated with the award or denial of benefits; and
- Contractors have no direct or indirect financial interest in any company that could benefit in any way from any decisions made under the program administered by the contractor.

Overhauling Florida's Procurement System Will Help Avoid Problems Like Those Experienced With CONNECT

Florida simply cannot afford to repeat past mistakes when procuring contractor/vendor services, whether it is outsourcing business processes such as eligibility determinations and claims processing or negotiating contracts for large-scale technology platforms. Florida TaxWatch has joined other organizations in calling for a complete overhaul of the state's procurement system, with a new focus on transparency, open competition, and a commitment to always focus on the best outcomes for Florida's taxpayers. It is important that all contracts with private contractors include well-defined terms and conditions and minimize the cost and risk to the state.

Each contract should designate someone, preferably the agency head, to serve as the Executive Sponsor for the project. As the Executive Sponsor, the agency head should be given complete responsibility for the project and the authority to make the right decisions, build support, commit resources, resolve disputes, and enforce the terms and conditions of the contract.

It is important that contracts between state agencies and private contractors include a project plan that (at a minimum) includes:

- A well-developed and logical project concept;
- A well-defined scope of work;
- Well-defined roles and responsibilities of key stakeholders;
- Detailed project workflows and realistic and achievable project schedules;
- Well-defined resource needs and allocations;
- Well-defined training needs and a process for training stakeholders and end users;

- A well-defined and detailed process for communicating and managing change; and
- A clear and detailed structure to be used to govern the project.

The project scope of work should be divided into discrete increments that will permit deliverables to be tested and accepted incrementally to increase the likelihood of success. Contracts should also include provisions to address change orders and amendments to previously agreed-upon services, work products and deliverables. Performance metrics to measure the vendor's performance and the project's success, and liquidated damages to be imposed in the event the vendor fails to perform at established service levels should be included as well. Provisions to protect sensitive user information and prevent any unauthorized or unintentional disclosure of such information should be included.

It is important that these contracts address what happens at the end of the agreement. The expectations of the state agency with respect to its ownership of the intellectual property or its rights to use or modify the intellectual property under a license from the contractor should be expressly clear and understood. This is particularly important given the state's experience with the PeopleFirst project. The state was looking to terminate the contract and end its relationship with the contractor, but the contract the state negotiated with the contractor was so poorly constructed that the risks of ending the contract far outweighed the risks of continuing the contract. The contract was written such that, at the end of the contract, the state would neither own nor be granted a license to use or modify the intellectual property developed by the contractor to operate PeopleFirst, the state's web-based human resources platform. Neither the state nor any service provider hired by the state would have been able to operate the software platform or any software tools necessary to provide services under PeopleFirst.

Additional Measures Will Be Required to Make Sure Large-Scale Projects Like CONNECT Are Successful

There is a tendency for agencies as a whole to resist change and want to maintain the status quo. To minimize resistance, it is important that the Executive Sponsor anticipate the need to manage this change and train and educate stakeholders and end users on the value of the project. Stakeholders and end users need to understand the nature of this change and how it will change what is expected of them all. Without their input, stakeholders and end users will be less likely to cooperate and commit to the project, and less likely to remain engaged. Provisions for change management should be built into the project planning and reflected in the project's governance structure.

It is critical that stakeholders have an opportunity to voice their opinions during the planning stages of the project and throughout project implementation. The Executive Sponsor should identify the key stakeholders, solicit their input during the planning phase of the project, and secure their commitment to make the project a success. It is important that communications with stakeholders be ongoing throughout the life of the project, and that stakeholders be consulted before major project decisions are made or modified.

It is important that skilled and experienced contract negotiators with (at a minimum) Florida Certified Contract Negotiation (FCCN), or comparable professional certifications, be assigned to negotiate the contract between the state and the contractor. Once executed, the successful day-to-day execution of the project will depend in large part upon a well-qualified and well-trained project management team. A competent and skilled project manager should be appointed, preferably one who has received the Project Management Professional (PMP), Florida Certified Contract Manager (FCCM), Florida Certified Contract Negotiation (FCCN), or comparable professional certifications. The project team should include professionals (internal as well

as external consultants) with experience and skills in functional processes (process design, functional testing, operational cutover, etc.), operational readiness (communications, change management, end user training, etc.), operations (methods and procedures, specialist training, etc.), and technology (applications, infrastructure, data management, etc.).

Because most if not all of these large-scale projects are multi-year projects, funding will span a number of state budget cycles. To provide the Legislature with the information necessary to appropriate sufficient funding each year and to avoid delays or disruptions, it is important that state agencies develop and maintain a multi-year financial model to cover the entire project life cycle.

If the project is not meeting expectations, then difficult decisions need to be made at that time regarding the future of that project. To guide these decisions, it is important to establish and implement a governance structure in the early stages of the project. The governance structure assigns accountability at each level of the project and provides a framework to guide decision-making. The governance structure also identifies points at which decisions must be escalated. An example of a workable governance model is depicted in Appendix 1.

Conclusions & Recommendations

When properly procured, using contracted experts can provide flexibility, competent workers, and best-of-breed technology that will improve customer service; however, with additional flexibility comes additional risk so state agencies must be careful to partner with outside vendors that have the resources and scalability to accept the risk and be accountable for quality outcomes, secure client data, and lower costs. This is especially true when “front-office” processes like eligibility determinations and processing unemployment insurance claims are outsourced.

State and local governments use contractors for a variety of purposes --- doing things that government is not good at, like building schools and roads --- so using contractors to process eligibility determinations and process claims is nothing new. Contractors can bring new technologies, skilled staff, more efficient business processes, and (ultimately) more accountability.

Innovation and modernization are critical to get unemployed Floridians the benefits for which they are eligible and get them back to work as quickly as possible to aid in Florida’s economic recovery. State agencies must be careful to partner Florida taxpayers, in turn, must hold state government accountable for making smart business decisions and doing the high-level planning and project management necessary to minimize the risk to the state and to make sure Florida families in need receive quality services.

Outsourcing a business process, such as eligibility determinations and Reemployment Assistance claims, has the potential to permit Florida to implement more efficient and cost-effective business processes, thereby reducing the size of government, saving the taxpayers money, and improving service delivery to needy Floridians.

Florida should encourage Congress to extend the staffing flexibility for Reemployment Assistance beyond the end of calendar year 2020 and extend similar provisions for SNAP. As an alternative, Florida can leverage the OPM November 2019 guidance to retain contractors that comply with merit system principles providing the state with the flexibility to better administer the programs.

Appendix 1

Example of a functional governance model

The following governance model is an example of what could be put in place for a large IT project, showing the reporting relationships and points at which conflicts are escalated for resolution.

Governing Body		Membership	Meeting / Discussion Frequency	Report Out / Escalation Point
Executive Sponsors	Agency	Designated Agency Executive Manager	At least once per month and as needed	NA
	Vendor	Designated Vendor Executive Manager		
Steering Group	Agency	Designated Agency Senior Level member(s)	Bi-weekly and as needed	To Executive Sponsors
	Vendor	Designated Vendor Senior Level member(s)		
Program Management	Agency	Designated Agency project team leader	Daily	To Steering Group
	Vendor	Designated Vendor project team leader		
Functional IP process Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
	Vendor	Designated Vendor project staff		
	Agency	Designated Agency project staff		
	Vendor	Designated Vendor project staff		
Organizational Readiness Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
	Vendor	Designated Vendor project staff		
	Agency	Designated Agency project staff		
	Vendor	Designated Vendor project staff		
Operations Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
	Vendor	Designated Vendor project staff		
	Agency	Designated Agency project staff		
	Vendor	Designated Vendor project staff		
Technology Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
	Vendor	Designated Vendor project staff		
	Agency	Designated Agency project staff		
	Vendor	Designated Vendor project staff		

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As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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