

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H. 187 – An Act Relating to Absence from Work for Health Care and Safety

Analysis reflects the Senate Proposal of Amendment, 2/10

Overview

This bill proposes that employees are provided with earned sick time and that employers do not penalize employees who use earned sick time benefits. The proposed legislation includes paid leave accrued at the rate of 1 hour of paid leave for every 52 hours worked, with an annual minimum requirement for employers to offer 24 hours of paid leave from January 1, 2017 until December 31, 2018 and 40 hours beginning January 1, 2019. State temporary employees are not exempt.

Fiscal and Economic Impact

According to JFO's review and information received from the Department of Human Resources and the Department of Labor, the estimated cost to the state under this legislation is de minimus in state fiscal year 2017. In state fiscal year 2018 and annually thereafter, the Department of Human Resources expects additional costs of about \$60,000 per year associated with this legislation under the cap of 24 hours per year and about \$70,000 under the cap of 40 hours per year. Impact on the General Fund is estimated at 35 percent to 40 percent resulting in an approximate General Fund cost of \$21,000 to \$24,000 under the cap of 24 hours, and \$24,500 to \$28,000 under the cap of 40 hours. Transportation funds and special funds will be affected to a lesser extent. The Commissioner of Human Resources in consultation with the Commissioner of Finance and Management have determined that this de minimus cost will be absorbed within existing department budgets and will not require any additional appropriation.

All bids on State-funded construction projects, including bids from out-of-state employers, will include the cost of providing employees working on the project with earned sick time, resulting in a very rough estimated cost between \$45,000 and \$75,000.¹ Some firms might be unwilling to bid given the earned sick leave requirement.

Under the bill, the Department of Labor is assigned the investigatory, adjudication and enforcement authority which will include rule-making. As such, they may experience workload and budget pressure in their Wage & Hour and Employment Practices unit dependent on the number of complaints received and disputed claims. If the volume of calls and complaints come in at a higher

¹ JFO followed the general approach in the 2015 Fiscal Note on the prevailing wage, available at http://www.leg.state.vt.us/jfo/fiscal_notes/2015_H_492_Fiscal_Note_Senate.pdf.

rate than anticipated,² the Department of Labor will need to develop a process for addressing them and may experience additional budget pressure in processing those complaints. The Department of Labor will need to charge this work to their General Fund dollars, and will shift some currently covered program expenses to federal funding, as allowed and appropriate. The amount of additional funding that may be necessary for the Department of Labor is uncertain until the level of complaints is clear. In addition, the bill requires the Department of Labor and the Agency of Commerce and Community Development to conduct a survey of Vermont employers with five or fewer employees, but neither agency sees a need for additional funding.

Using analysis developed for a March 2014 review³ of this topic and the Fiscal Note of April 14, 2015 on an earlier version of this bill,⁴ the JFO estimates the total cost to private employers of extending sick leave coverage to Vermont workers to be approximately \$2.8 to \$6.3 million dollars from January 1, 2018 until December 31, 2018 and between \$4.8 and \$11.0 million dollars annually thereafter.⁵ The proposed legislation will have a lesser impact in 2017 due to the effective date of January 1, 2017 and the ability for employers to require a waiting period of up to one year for existing employees on January 1, 2017 and for new hires on or after January 1, 2017. Because of the waiting periods, the employer only would incur recordkeeping costs during the first year unless the employer chose not to require a waiting period.

This economic analysis results in a cost decrease from the March 2014 review and the April 2015 Fiscal Note. The key differences between this estimate and the previously developed estimates include:

1. Changing the paid leave accrued from 1 hour of paid leave for every 30 hours worked (2014 analysis) or for every 40 hours worked (2015 Fiscal Note) to 1 hour of paid leave for every 52 hours worked,
2. Reducing the annual program cap from no more than 56 hours of paid leave (2014 analysis) to 24 hours of paid leave, followed by 40 hours of paid leave after December 31, 2018,
3. Eliminating the exclusion of State of Vermont temporary employees, and
4. Excluding employees who work less than 18 hours per week.

While difficult to measure, the March 2014 examination estimates related benefits including reduced employee turnover, the costs of productivity losses as a result of payment to ill workers who underperform while on the job, the reduced spread of contagious diseases, reduced emergency room use, and other health related benefits. The analysis suggested that benefits of the legislation are “likely to be of comparable magnitude to the employer costs.”⁶

² The complaint estimate is based upon Connecticut’s experience with similar legislation. They received 50 total complaints from January 2013 to April 2015.

³ A full discussion of the March 2014 analysis is available here:

http://www.leg.state.vt.us/jfo/fiscal_notes/2014_S_255%20Memo-Sick%20Leave%20S255%20Review.pdf.

⁴ Vermont Legislative Joint Fiscal Office Fiscal Note, April 14, 2015 available at

http://www.leg.state.vt.us/jfo/fiscal_notes.aspx.

⁵ Applying a low rate of wage inflation to the 2014 estimates would raise those estimates by small amounts.

⁶ Again, see the March 2014 analysis.