

Information on Paid Family Leave from Rhode Island, More on Reserves, and Model Inputs

1. What is the ratio of administrative costs to benefits paid for the TDI and TCI programs?

The ratio of TDI administrative costs to benefits paid averaged 5.03% from 2014 to 2016. The ratio of TCI administrative costs to benefits paid averaged 5.79% from 2014 to 2016. TCI first became available in RI in 2014.

| RI TDI/TCI | Ratio Administrative Costs Costs/Benefits Paid | |
|-------------|---|------------|
| | <u>TDI</u> | <u>TCI</u> |
| 2014 | 4.9% | 8.8% |
| 2015 | 5.2% | 5.4% |
| 2016 | 5.0% | 4.2% |
| 3-Year Avg. | 5.0% | 5.8% |

2. Does the TDI/TCI program have a target level of reserves or trust fund balance relative to benefits paid? Or relative to your payroll base?

RI law requires that we have a reserve equal to our total expenditures (benefits and administrative costs) over the last 6 months as of September 30th of each year. If we don't have a six month reserve, our tax rate is adjusted up every year to compensate.

3. Do you have a sense of the proportion of eligible leave-takers who use the TDI and TCI programs?

From 2014 to 2016, approximately 7.76% of **covered workers** collected TDI each year; 1.18% of **covered workers** collected TCI each year.

| RI TDI/TCI | <u>Claimants by Program</u> | | <u>Covered Employment</u> | <u>% Workers Collecting</u> | |
|-------------|-----------------------------|------------|---------------------------|-----------------------------|------------|
| | <u>TDI</u> | <u>TCI</u> | | <u>TDI</u> | <u>TCI</u> |
| 2014 | 32,940 | 3,870 | 408,000 | 8.07% | 0.95% |
| 2015 | 31,285 | 4,941 | 415,000 | 7.54% | 1.19% |
| 2016 | 32,300 | 5,882 | 421,000 | 7.67% | 1.40% |
| 3-Year Avg. | 32,175 | 4,898 | 414,667 | 7.76% | 1.18% |

4. Has Rhode Island seen an increase in benefits paid out over time as the programs mature?

The use of the TCI program has grown over the last three years as more people became aware of the program. The use of the TDI program has been relatively stable and costs increase only as wages increase.

The TDI/TCI annual report also contains data. Here's the link to the 2015 report (2016 hasn't been published yet).

<http://www.dlt.ri.gov/lmi/publications/annreport.htm>

Vermont's UI Trust Fund

5. How large is the Unemployment Insurance Trust Fund in Vermont?

The balance in the paid family leave fund as modeled in the 2016 Feasibility Study reaches 200 percent of benefits after a few years. For context, I looked at Vermont's Trust Fund for Unemployment Insurance. According to the Unemployment Insurance Trust Fund Report from the Vermont Department of Labor dated January 4, 2017, the UI Trust Fund Balance was about \$300 million in 2016. Benefits paid out in 2016 were \$64.7 million, implying a trust fund ratio of assets to benefits of about 464 percent.

The UI tax rate schedule will drop from Class 5 to Class 4 (a lower rate) on July 1, 2017. Before the rate schedule drops further to Class 3, the trust fund will have to meet or exceed \$340 million. At that point, the trust fund would be more than 500 percent of benefits paid out. Modeling by VDOL shows the trust fund dropping in future years to a low point of about 133 percent of benefits before it slowly starts rising again.

From 2001 to 2010, annual debits from Vermont's UI Trust Fund exceeded their credits. Between February 2010 and April 2011, the UI Trust Fund borrowed almost \$78 million from the U.S. Department of Labor, leading to an overhaul of the laws surrounding UI in the 2010 legislative session. The federal loan was repaid by July 1, 2013.

| | | | | | |
|---|---------------------------|---|----------------|----------------|--|
| April 2016 -- To Model for Vermont -- as of April 17 | | | | | |
| Payroll for Vermont in 2019: | | \$ 13,755,250,407 | | | |
| That is actual payroll for Vermont in 2016 grown at 1.5% per year | | | | | |
| The tax would fall only on incomes up to \$250,000 (94% of total wages) | | | | | |
| | | | | | |
| | | Model 1 | Model 2 | Model 3 | Actually Modeled |
| | | Vermont (proposed) | | | If Different |
| Status | Enacted | ---- | | | |
| | Effective | Jan 1, 2018 | | | |
| | | Tax begins July 1, 2018; Ben's begin July 1, 2019 | | | |
| Reasons and Duration (wks) | Family care | 6 | 8 | 6 | |
| | Birth, adoption, foster | 6 | 8 | 8 | |
| | Own disability or illness | None | | | |
| | Maximum, if any | Max 12 wks in 12 mos; Up to 6 wks from employer paid leave | | | |
| Definition of Family Member | Child | X | | | |
| | Parent | X | | | |
| | Spouse | X | | | |
| | Domestic partner | X | | | |
| | Grandparent | X | | | |
| | Grandchild | | | | |
| | Sibling | X | | | |
| | Parent-in-law | X | | | |
| Eligibility | | Employed in Vermont for at least 12 of the previous 13 months | | | Employed in Vermont for at least 48 of the previous 52 weeks |
| Funding | Employer pays | optional | | | |
| | Employee pays | ?? | | | |
| | Cap on wages taxed | \$250,000 | | | |
| Benefit amount | Per week | The lesser of 80% of own avg wkly wage or twice the livable wage if 40 hrs/wk (\$1,042.40 in 2016) | | | |
| | Maximum | \$1,042.40 (2016) | | | |
| Employer type | Private | All | | | |
| | Public | All | | | |
| | Self-employed | Not participating | | | |
| Waiting period | | Reasonable notice to employer | | | |