

**H.107 An act relating to paid family and medical leave –
House Ways and Means Proposal of Amendment – PRELIMINARY NOTES**

1. Overview of Proposed Bill

- Establish a Family and Medical Leave Insurance (FMLI) Program to provide employees with up to 12 weeks of parental/bonding leave or up to 8 weeks of own medical leave or family care leave, funded by payroll contributions
- Benefits would be 90 percent of an employee's average weekly wage up to the Vermont livable wage (\$533.60 per week, or \$27,747 per year) and 50 percent of an employee's average weekly wage in excess of the Vermont livable wage; the weekly benefit amount would be capped at 2.5 times the Vermont livable wage (\$1,334 per week)
- Bill effective on passage
- Payroll contributions begin January 1, 2020
 - A payroll contribution rate of 0.2 percent on wages up to the Social Security taxable maximum (\$132,900 in 2019) to cover approximately \$4 million to \$5 million in administrative costs in FY2020 before benefits begin.
 - A payroll contribution rate of 0.55 percent on wages up to the Social Security taxable maximum to cover approximately \$71 million in benefit costs in FY2021.
 - Contributions could be made by the employer or employee.
- Benefits begin July 1, 2020

2. Impact on State Budget and State Employees

A. For State Employees beginning FY2020

- Assuming the State participates in the FMLI program, the maximum all-fund liability to the State of Vermont would be approximately \$630,000 in FY2020 and \$3.6 million in FY2021.
 - The General Fund would bear about 40% of the liability.
- In addition, there would be costs associated with replacing State workers who take longer leaves or additional leaves, and costs associated with leaves for short-duration workers who would become eligible for longer leaves.

B. For School Employees beginning FY2021

- Assuming public school employees participate in the FMLI program, the maximum liability to Supervisory Unions in employer contributions would be approximately \$900,000 in FY2020 and \$5.2 million in FY2021.
- The cost of replacing employees who take additional family and medical leave is not known.

C. Other Employees Paid Indirectly by the State

- The State could bear some indirect costs for contract employees such as home health and hospice service workers who are paid via grants.

D. Administrative Costs

- The Vermont Department of Labor would issue an RFP to select an insurance carrier that can run a program that meets the goals of the legislation in a more cost-effective manner than a State-run program
- An insurance carrier is expected to charge fees in addition to the premiums that cover benefit costs
- The Vermont Department of Taxes will collect the FMLI payroll contributions from employers on a quarterly basis
- The Vermont Department of Labor will write rules for the program, carry out marketing, and handle appeals that come to the State

D. Family and Medical Leave Insurance Special Fund

- The Department of Taxes would deposit all payroll contributions into the Special Fund in the State Treasurer's Office
- The Special Fund would earn interest on any balances
- The State would appropriate premiums to the insurance carrier from the Special Fund

E. Appropriations likely needed for FY2020

- The Department of Taxes: \$1 million to develop software for collecting contributions
- The Department of Labor: \$587,000 for rule-making and administrative tasks
- Fees associated with the insurance carrier contract and start-up: approximately \$2.24 million

3. Tax Rate Mechanism

- The legislature sets the tax rate annually

APPENDIX

A. Illustrative Cash Flow, FY2020 – FY2024

PRELIMINARY RESULTS		JFO/Joyce Manchester; March 26, 2019 update				
Ways and Means Strike-All Amendment; Wage update						
Model 1: 12/8, 90/50, 2.5*VLW						
	FY2020	FY2021	FY2022	FY2023	FY2024	
	Contrib's begin 1/1	Ben's begin 7/1	Full operations	Full operations	Full operations	
If Insur Carrier nonbenefit fees are on the low end						
Total Benefits	\$0	\$70,887,247	\$72,269,548	\$73,678,805	\$75,115,541	
Administrative fees, Insurance carrier	\$1,000,000	\$4,962,107	\$5,058,868	\$5,157,516	\$5,258,088	
Advance fee & pymt to Insurance Carrier in Year 1	\$1,240,527					
Administrative VDOL	\$587,000	\$680,458	\$696,109	\$712,119	\$728,498	
Administrative Tax Dept.	\$1,000,000	\$644,490	\$659,313	\$674,477	\$689,990	
Total Cost	\$3,827,527	\$77,174,302	\$78,683,839	\$80,222,917	\$81,792,117	
Payroll contribution rate (Total Cost/(Contribns + Int))	0.200%	0.550%	0.550%	0.550%	0.550%	
Revenue from payroll contributions	\$14,240,816	\$80,204,277	\$82,129,180	\$84,100,280	\$86,118,687	
Excess funds	\$10,413,289	\$13,862,168	\$17,859,641	\$22,443,090	\$27,651,837	
Interest on excess funds (2.5%)	\$0	\$279,270	\$368,088	\$470,725	\$588,118	
Total Revenue	\$14,240,816	\$80,483,547	\$82,497,267	\$84,571,004	\$86,706,805	
If Insur Carrier nonbenefit fees are on the high end						
Total Benefits	\$0	\$70,887,247	\$72,269,548	\$73,678,805	\$75,115,541	
Administrative fees, Insurance carrier	\$1,000,000	\$8,506,470	\$8,672,346	\$8,841,457	\$9,013,865	
Advance fee & pymnt to Insurance Carrier in Year 1	\$2,126,617					
Administrative VDOL	\$587,000	\$680,458	\$696,109	\$712,119	\$728,498	
Administrative Tax Dept.	\$1,000,000	\$644,490	\$659,313	\$674,477	\$689,990	
Total Cost	\$4,713,617	\$80,718,665	\$82,297,316	\$83,906,858	\$85,547,894	
Payroll contribution rate (Total Cost/(Contribns + Int))	0.200%	0.550%	0.550%	0.550%	0.550%	
Revenue from payroll contributions	\$14,240,816	\$80,204,277	\$82,129,180	\$84,100,280	\$86,118,687	
Excess funds	\$9,527,199	\$9,365,259	\$9,546,743	\$10,099,982	\$11,054,875	
Interest on excess funds (2.5% on 20% of excess funds)	\$0	\$234,965	\$233,081	\$239,877	\$256,067	
Total Revenue	\$14,240,816	\$80,439,242	\$82,362,260	\$84,340,157	\$86,374,754	
For Reference:						
Wages up to Social Security taxable maximum	\$14,240,816,226	\$14,582,595,815	\$14,932,578,114	\$15,290,959,989	\$15,657,943,029	
Benefits in Model 1	\$69,531,385	\$70,887,247	\$72,269,548	\$73,678,805	\$75,115,541	

B. Sources

Some of the results here are based on the IMPAQ study completed in 2016 for the Vermont Commission on Women, “Vermont Paid Family and Medical leave Feasibility Study: Final Report,” December 15, 2016; available at

https://women.vermont.gov/sites/women/files/pdf/VT%20PFML%20Study_Final%20Report_FINAL_V3.pdf

Updated results for the program benefits in the bill as modeled by the Institute for Women’s Policy Research and included in the bill as passed by the Ways & Means Committee in March 2019 are available as Model 1 results at

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Ways%20and%20Means/Bills/H.107/W~Joyce%20Manchester~H.107%20-%203%20PFML%20Models~3-20-2019.pdf>