

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

Date: January 7, 2020

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H.107 An act relating to paid family and medical leave -- DRAFT

Senate Proposal of Amendment, May 24, 2019

<https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0107/H-0107%20Senate%20Proposal%20of%20Amendment%20Unofficial.pdf>

Family and Medical Leave Insurance (FMLI) Program: Benefit Design

1. Leave duration

- Up to 12 weeks of parental/bonding leave, maximum 16 weeks per couple; no waiting
- Up to 8 weeks of family care leave
- Voluntary medical leave of up to 6 weeks in a 12-month period if an employee opts in for a minimum period of 3 years and annually thereafter
- Family care or medical leave benefits follow a waiting period of 5 calendar days
- Maximum leave for all types of leave in a 12-month period is 12 weeks

2. Benefit amount

- 90 percent of an employee's average weekly wage up to 55 percent of the Vermont Average Weekly Wage (\$13.26 per hour, \$530.42 per week, or \$27,582 per year) and 55 percent of an employee's average weekly wage in excess of that amount
- Maximum weekly benefit amount is the Vermont Average Weekly Wage (\$964 per week; a worker earning at or above \$73,580 receives the maximum benefit)

Funding

1. Payroll contributions

- Based on wages up to the Social Security taxable maximum (\$137,700 in 2020)
 - Mandatory benefits: 0.20 percent of wages begin April 1, 2020 (\$29 mil, FY 2021)
 - Voluntary benefits: 0.38% of wages begin April 1, 2020 (\$22 mil, FY 2021)
- The employer has the option of paying some or all of the contributions due or may deduct the full amount from the employee's wages

2. Mechanics

- The employer remits the total payroll contributions quarterly to the Department of Taxes, with an option for the program administrator to collect contributions directly
- The legislature may change the contribution rate annually

Administration

- The Commissioner of Financial Regulation (DFR), in consultation with the Commissioners of Human Resources, Labor, and Tax, will issue a Request for

Proposals to select an insurance carrier to run a program that meets the goals of the legislation at lower cost than a State-run program; if no lower-cost carrier is found, the State will administer the program

- The Commissioner of Financial Regulation will adopt rules for approval of an employer's alternative insurance or benefits plan that allows employer opt-out
- The Commissioner of Labor will adopt rules regarding eligibility and the appeals process, carry out education efforts, and handle appeals that come to the State
- The Commissioner of Taxes will adopt rules regarding collecting the FMLI payroll contributions from employers on a quarterly basis and will remit them to the FMLI Special Fund
 - Insurance premiums are paid to the insurance carrier from the Special Fund
 - The Special Fund earns and retains interest on any balances

State Budget Impacts

1. Expenditures in FY2020
 - The Department of Taxes: \$1 million to develop software for collecting contributions
 - The Department of Labor: \$217,900 for rule-making and administrative tasks
2. For State Employees beginning FY2020
 - The maximum all-fund appropriation needed if, for example, the employer pays 0.1 percent of wages is approximately \$152,000 in FY2020 and \$628,000 in FY2021; about 40% of the cost falls on the General Fund
 - In addition, there may be costs to replace State workers who become eligible for longer leaves or additional leaves, and costs associated with leaves for short-duration workers who become eligible for longer leaves
3. Other Indirect Impacts
 - Any employer contributions for public school employees or contract workers such as home health and hospice workers could indirectly affect the State Budget as well

Effective dates

- Effective on passage; Rule-making may begin on passage
- Payroll contributions begin April 1, 2020 (or July 1, 2020 if no private carrier)
- Benefits begin October 1, 2020 (or July 1, 2021 if no private carrier)

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

Estimates based on Senate Proposal of Amendment as of May 2019;
 All numbers are in 2019 \$\$; All years would move forward under a 2020 bill

JFO/jm; 23 May 2019					
PRELIMINARY RESULTS -- H.107 Family and Medical Leave Insurance, Senate Proposal of Amendment, Mandatory Leave					
Start 0.20% in Apr 2020					
Part A. Fiscal Year Cash Flow					
Start 0.20% in Apr 2020					
	FY2020	FY2021	FY2022	FY2023	FY2024
1/12 Premium in Advance; Soc Sec max wgs; Bond/fam: 12 per newborn/8, 90/55, max ben AWW; low end admin costs	Contrib's begin 4/1	Ben's begin 10/1	Full operations	Full operations	Full operations
1 Total Benefits	\$0	\$19,548,045	\$26,585,341	\$27,117,048	\$27,659,389
2 Administrative fees, Insurance carrier	\$0	\$1,466,103	\$1,993,901	\$2,033,779	\$2,074,454
3 Advance 1-month premium to Insur Carrier in Year 2	\$0	\$2,334,905			
4 Administrative VDOL	\$217,900	\$814,331	\$833,061	\$852,221	\$871,822
5 Administrative Tax Dept.	\$1,000,000	\$659,313	\$674,477	\$689,990	\$705,860
6 Total Cost	\$1,217,900	\$24,822,698	\$30,086,780	\$30,693,038	\$31,311,526
7 Payroll contribution rate (Total Cost/(Contribns + Int))	0.200%	0.200%	0.200%	0.200%	0.200%
8 Revenue from payroll contributions	\$0	\$28,994,302	\$29,690,165	\$30,402,729	\$31,132,395
9 Interest on excess funds (2.5% on excess funds)	-\$2,539	\$64,896	\$69,991	\$62,917	\$58,407
10 Total Revenue	-\$2,539	\$29,059,197	\$29,760,156	\$30,465,646	\$31,190,802
11 Assets/Liabs in Special Fund at end of year	-\$1,220,439	\$3,016,060	\$2,689,436	\$2,462,043	\$2,341,319
Monthly range of Assets/Liabs in Special Fund					
12 Largest monthly liabilities	-\$1,220,439	-\$1,345,785	\$226,335	-\$78,204	-\$309,843
13 Smallest monthly liabilities/positive assets	-\$405,967	\$5,649,015	\$5,300,251	\$5,046,107	\$4,940,320
14 Month of Occurrence (Largest, Smallest)	(Jun, Apr)	(July, Aug)	(Apr, Aug)	(Apr, Aug)	(Oct, May)
For Reference:	FY2020	FY2021	FY2022	FY2023	FY2024
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
Annual Benefits, Bond/fam8 only, 1-wk wait FL	\$25,553,000	\$26,064,060	\$26,585,341	\$27,117,048	\$27,659,389

JFO/jm; 23 May 2019					
PRELIMINARY RESULTS -- H.107 Family and Medical Leave Insurance, Senate Proposal of Amendment, Voluntary Medical Leave*					
Start 0.38% in Apr 2020					
*Assumes 40% Participation					
Part A. Fiscal Year Cash Flow					
Start 0.38% in Apr 2020					
	FY2020	FY2021	FY2022	FY2023	FY2024
Vol SL 6 wks; 1/12 Premium in Advance; Soc Sec max wgs; 90/55, max ben AWW; low end admin costs	Contrib's begin 4/1	Ben's begin 10/1	Full operations	Full operations	Full operations
1 Total Benefits	\$0	\$15,066,675	\$20,490,678	\$20,900,492	\$21,318,501
2 Administrative fees, Insurance carrier	\$0	\$1,205,334	\$1,639,254	\$1,672,039	\$1,705,480
3 Advance 1-month premium to Insur Carrier in Year 2	\$0	\$1,808,001			
4 Administrative VDOL	\$0	\$203,583	\$176,405	\$180,462	\$184,613
5 Administrative Tax Dept.	\$100,000	\$100,000	\$102,300	\$104,653	\$107,060
6 Total Cost	\$100,000	\$18,383,593	\$22,408,637	\$22,857,646	\$23,315,654
7 Payroll contribution rate (Total Cost/(Contribns + Int))	0.38%	0.38%	0.38%	0.38%	0.38%
8 Revenue from payroll contributions	\$0	\$22,035,669	\$22,564,525	\$23,106,074	\$23,660,620
9 Interest on excess funds (2.5% on excess funds)	-\$208	\$76,506	\$92,259	\$99,571	\$109,454
10 Total Revenue	-\$208	\$22,112,176	\$22,656,785	\$23,205,645	\$23,770,073
11 Assets/Liabs in Special Fund at end of year	-\$100,208	\$3,628,375	\$3,876,522	\$4,224,521	\$4,678,940
Monthly range of Assets/Liabs in Special Fund					
12 Largest monthly liabilities	-\$100,208	-\$125,716	\$1,730,285	\$1,963,916	\$2,298,430
13 Smallest monthly liabilities/positive assets	-\$33,333	\$5,450,319	\$5,731,967	\$6,116,582	\$6,608,144
14 Month of Occurrence (Largest, Smallest)	(Jun, Apr)	(July, May)	(Oct, May)	(Oct, May)	(Oct, May)
For Reference:	FY2020	FY2021	FY2022	FY2023	FY2024
40% of Wages up to Social Security taxable maximum	\$5,696,326,490	\$5,833,038,326	\$5,973,031,246	\$6,116,383,996	\$6,263,177,212
Annual Benefits in Vol SL 6 wks, 1-wk wait	\$19,695,000	\$20,088,900	\$20,490,678	\$20,900,492	\$21,318,501