

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

Date: Updated May 13, 2019  
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### **H.107 An act relating to paid family and medical leave**

As passed by the Senate Committee on Economic Development

<https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Finance/Bills/H.107/Drafts,%20Amendments%20and%20Summaries/H.107~Damien%20Leonard~Draft%20No.%204.1,%205-6-2019~5-8-2019.pdf>

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

#### 1. Leave duration

- Up to 12 weeks of parental/bonding leave with a maximum of 12 weeks per newborn; no waiting period
- Up to 6 weeks of family care leave following a 1-week waiting period
- Maximum leave is 12 weeks in a 12-month period if parental/bonding leave is taken

#### 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 (\$132,900 in 2019)
  - 0.20 percent of wages beginning April 1, 2020 (\$29 million in FY 2021)
- The employer contributes 0.1 percent and the employee contributes 0.1 percent

#### 2. Mechanics

- The employer remits the total 0.2 percent 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 Vermont Department of Financial Regulation (DFR) will issue a Request for Proposals to select an insurance carrier to run a program that meets the goals of the legislation in a more cost-effective manner than a State-run program; DFR will also write rules regarding the employer opt-out option
- The Vermont Department of Labor will write rules regarding the appeals process, carry out marketing, and handle appeals that come to the State

- The Vermont Department of Taxes will collect the FMLI payroll contributions from employers on a quarterly basis and remit them to the FMLI Special Fund
  - Insurance premiums will be 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 need if 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
- Benefits begin October 1, 2020

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

**H.107 Family and Medical Leave Insurance, As Passed by the Senate Economic Development Committee**

Start 0.20% in Apr 2020					
<b>Part A. Fiscal Year Cash Flow</b>					
Start 0.20% in Apr 2020					
	FY2020	FY2021	FY2022	FY2023	FY2024
As passed Sen Ec Devel; 1/12 Premium in Advance; Soc Sec max wgs; Bond/fam: 12 per newborn/6, 90/55, max ben AWW; low	Contrib's begin 4/1	Ben's begin 10/1	Full operations	Full operations	Full operations
1 Total Benefits	\$0	\$20,376,976	\$27,712,687	\$28,266,941	\$28,832,279
2 Administrative fees, Insurance carrier	\$0	\$1,426,388	\$1,939,888	\$1,978,686	\$2,018,260
3 Advance 1-month premium to Insur Carrier in Year 2	\$0	\$2,471,048			
4 Administrative VDOL	\$217,900	\$814,331	\$705,620	\$721,850	\$738,452
5 Administrative Tax Dept.	\$1,000,000	\$659,313	\$674,477	\$689,990	\$705,860
6 <b>Total Cost</b>	\$1,217,900	\$25,748,056	\$31,032,673	\$31,657,467	\$32,294,851
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	\$55,713	\$35,444	\$3,362	-\$27,261
10 <b>Total Revenue</b>	-\$2,539	\$29,050,014	\$29,725,609	\$30,406,091	\$31,105,134
11 <b>Assets/Liabs in Special Fund at year-end, annual basis</b>	-\$1,220,439	\$2,081,519	\$774,455	-\$476,921	-\$1,666,638
Monthly range of Assets/Liabs in Special Fund					
12 Largest monthly liabilities	-\$1,220,439	-\$1,345,785	-\$1,523,534	-\$2,844,723	-\$4,106,709
13 Smallest monthly liabilities/positive assets	-\$405,967	\$5,649,015	\$4,203,999	\$2,962,234	\$1,778,488
14 Month of Occurrence (Largest liab's, Smallest liab's)	(Jun, Apr)	(July, Aug)	(Apr, Aug)	(Apr, Aug)	(Apr, Aug)