

# Notes on H.66 from House Ways And Means

## Overview and Testimony/Discussion

### Overview from House Committee On Housing and General Affairs

- Critical to employers and to the state as a whole
  - Difficult to keep and find employees
  - High turnover
  - Every employee who does not come back is a loss of experience, institutional memory, and continuity
- Housing and general kept principles in mind
  - Accessible to all Vermonters
  - Should expand to include safe leave
  - Should expand the definition of family
  - Balanced between an affordable cost and a viable benefit
- Key changes
  - Reorganized bill
  - Build on existing family medical leave act as a foundation and add safe leave without adding other conditions
  - Unpaid safe leave
  - Original bill included a refund of premiums paid to workers or families earning under 25k per year
    - Cut that because the committee could not find a workable mechanism for that contribution
    - Leaving for Ways and Means to find a mechanism that works better

### Testimony

#### Abby Sheppard (Leg. Council)

- Focus of testimony: Discussing the contributions and benefits side of the bill
- Focused on how income tax would be affected by H.66
- Employers and Employees would pay equal shares when contributing to the program
- Self Employed individuals would have the option to contribute to the program through estimated installment payments
- Employers do have the option to opt-out if they provide benefits through a private plan that are equal or better than the state program
- Question by the committee on whether the contributions from income would be based on net or gross
  - Would be looked into
- Payment of benefits would be coming from the state, and the employer would not have to worry about this

#### Craig Bolio (Tax Commissioner)

- Focus of testimony: Discussing what it takes to implement a new tax

- Implementation of new tax types generally takes 9-12 months
  - This includes design, development, testing, and go-live
  - Includes coordination between developers, business users/SMEs, and testers
- Feeling from the team is that they are at or near the cap of what they can absorb without efficiency gains

### Viki Shabo (New America)

- Focus of testimony: National Perspective and the impacts of this policy in other states
- In Vermont 65% cannot afford unpaid leave
- The choices workers face when they must take leave have economic implications including reduced workforce participation and a ripple effect that affects businesses looking for more workers
- There are unmet costs of the status quo that communities and families are absorbing
- Rural communities are particularly affected by this
  - Further distance from healthcare facilities
  - Jobs that are concentrated in rural communities tend not to offer paid and unpaid leave benefits
  - Rural areas have lower labor participation rates and aging populations
- Vermont study showed that cancer patients in rural communities were less likely to have access to paid and unpaid leave and more likely to retire from their jobs when diagnosed compared to patients in non-rural Vermont communities
- What have states done?
  - 11 states and D.C have adopted paid family and medical leave insurance programs
  - Policies are set up as social insurance programs
  - Offer wage replacement that is affordable for low-wage workers
  - Programs have been comprehensive
  - Data in available states show that 3-4% of the workforce is using the program
    - Utilization could be higher
  - These programs are sustainable over time
  - Businesses (especially small) have benefited from this
    - Allows them to make sure their employees are taken care of without absorbing the cost
- Outcomes:
  - Higher labor force participation for new mothers and daily caregivers
  - Higher earnings over time
  - Lowers the cost of other public assistance programs
  - Reduced use of nursing homes
  - Better health utilization
  - Better outcomes for child and maternal health and wellbeing
  - No negative impacts on businesses

Molly Williamson (Center for American Progress)

- Focus of Testimony: Where does Vermont Fit in the National landscape/Small business effects
- Vermont is in line with other states in its current outlook on this program
- Business impacts
  - Guaranteeing paid leave is an investment in Vermont businesses
  - Paid leave helps businesses hire the best employees
  - Small businesses owners who offer paid leave say that it is a necessity in hiring
    - Owners who can't pay leave say they're suffering in hiring
  - Boosts retention
  - Paid leave programs help employers keep the quality employees they have invested in
  - Important for small businesses
    - Often cannot pay out of pocket
  - Expanding this option to self-employment is extremely beneficial for entrepreneurship
- National Landscape
  - 1 in 3 Americans live in a state with a paid law (increasing in New England)
  - Employers in states that don't make this investment are being left behind
  - Have seen in other states that businesses adapt easily and see benefits
- Why are more businesses not offering paid leave?
  - Number one reason is the cost
- This issue is different for every company, how do we even this out?
  - This bill gives a new tool to respond to employee absence
    - The insurance system provides the workers pay while they're out
    - The business still has the money they would use to pay the employee if they weren't on leave
      - Business gets to decide how they use this resource

Michele Fay (Voices for Vermont's Children)

- A strong wage replacement is important to ensure lower-wage workers can access the program
- VVC does offer paid leave
  - Twice in 5 years had employees go out for 6 weeks
    - paid 10k in wages
    - If they had been paying the full 0.55 percent, they would have paid the same amount in premiums as they did in wages for employees to get twice as much leave