

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.107 An act relating to paid family and medical leave House Appropriations Recommendation of Amendment – Draft 2.1

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Appropriations/Bills/H.107/H.107PAIDFAMILYLEAVE~Damien%20Leonard,%20Legislative%20Counsel~As%20recommended%20by%20House%20Appropriations%20Committee~4-2-2019.pdf>

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

1. Leave duration

- Up to 12 weeks of parental/bonding leave
- Up to 8 weeks of own medical leave or family care leave
- Maximum leave is 12 weeks in a 12-month period if bonding is involved

2. Benefit amount

- 90 percent of an employee's average weekly wage up to 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 Vermont livable wage
- Maximum weekly benefit amount is 2.5 times the Vermont livable wage (\$1,334 per week)

Funding

1. Payroll contributions

- Based on wages up to the Social Security taxable maximum (\$132,900 in 2019)
 - 0.10 percent of wages for 6 months before benefits begin to cover administrative costs
 - 0.55 percent of wages once benefits begin to cover approximately \$55 million in FY2021 (\$76 million annualized)
- The employer has the option of paying some or all of the contributions due

2. Mechanics

- The employer remits the payroll contributions quarterly to the Department of Taxes
- The legislature sets the contribution rate annually

Administration

- The Vermont Department of Financial Regulation 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 the entire contribution is approximately \$158,000 in FY2020 and \$2.86 million 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