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sHB-5387
AN ACT CONCERNING PAID FAMILY MEDICAL LEAVE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 $	FY 20 $	FY 21 $
Labor Dept.	GF - Cost	None	None	See Below
State Comptroller - Fringe Benefits[1]	GF - Cost	None	None	See Below
Treasurer	GF - Cost	Up to $75,000	None	None
Treasurer, Debt Serv.	GF - Cost	None	Up to $500,000	Up to $2,000,000
Labor Dept.	Family and Medical Leave Insurance Trust Fund - Cost / Revenue	None	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 19 $	FY 20 $	FY 21 $
Various Municipalities	See Below	None	None	See Below

Explanation

The bill establishes a Family and Medical Leave Insurance (FMLI) program and expands the state's current Family Medical Leave Act (FMLA) law as it applies to the private sector. This results in a

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

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significant annual state cost beginning as early as FY 19. The impacts are explained in detail below.

FMLA Expansion

The bill expands the FMLA law by reducing, from 75 to two, the minimum number of employees that makes an employer subject to FMLA beginning July 1, 2021. The bill also extends allowable leave under FMLA to caring for grandparents, grandchildren, siblings, all other blood relatives, or those with a "close association… the equivalent of a family member" in addition to relatives covered under current law. In addition, the bill extends the durational limit of the benefits from 16 weeks every 24 months to 12 weeks every 12 months. The FMLA expansion aligns with the terms of the FMLI program.

Expanded FMLA Administrative Costs

The expansion of the existing FMLA program results in a cost to the Department of Labor (DOL) of $408,990 beginning in FY 21 and associated with one Principal Attorney ($100,000 for salary and $36,330 for fringe costs), two Staff Attorneys ($75,000 for salary and $27,248 for fringe costs), and one Administrative Assistant ($50,000 for salary and $18,165 for fringe costs).

This estimate is based on the current costs for handling all FMLA inquiries and investigating complaints of alleged violation. There are currently approximately 2,900 employers with 839,000 employees covered by existing FMLA law; under the bill's FMLA expansion, an estimated 60,200 employers with approximately 1,286,000 employees would be covered.[2]

FMLI Program – Start-up Costs

The bill establishes the FMLI program to provide wage replacement benefits to covered employees taking leave under certain circumstances. The program will incur start up administrative costs to

[2] Source: Department of Labor

DOL of at least $13.6 million prior to FY 21. The start-up costs include approximately $4.7 million in salaries and fringe costs, $7.7 million for information technology, $776,700 for overhead and capital needs, and $340,000 for outreach and marketing. The bill includes authorization of $20 million of General Obligation (GO) bonds ($10 million in each of FY 19 and FY 20) for program start-up costs.

To the extent that the bonding authorized in the bill is fully allocated and expended, debt repayment of up to $500,000 on the bonds could begin as early as FY 20. Total debt service costs for $20 million of GO bonds issued at market rates in FY 19 and FY 20 is estimated to be approximately $30 million between FY 20 and FY 40.

The bill results in one-time costs associated with the establishment of the FMLI Trust Fund of up to $75,000, which includes funding for legal fees and asset allocation consultation. Though the bond funds are authorized for DOL's programmatic start-up costs, it is possible they will be allocated in such a manner as to allow their use for costs incurred by the Office of the State Treasurer.

If the bond funding for start-up costs is not sufficient for the various costs described above prior to FY 21, it is assumed the General Fund will cover the costs of the program until such time that FMLI Trust Fund revenues are sufficient. The bill specifies that any funds expended from the General Fund for the purpose of administering the FMLI program be reimbursed no later than October 1, 2021.[3]

FMLI Program – Ongoing Costs

There will be ongoing annual administrative and investment costs associated with the FMLI as a result of the bill. Beginning in FY 21, the ongoing administrative expenses are estimated to be at least $18.6 million annually, including fringe benefits. The bill specifies the

[3] This analysis assumes that the debt service costs associated with the bonds authorized within the bill will not be repaid by the FMLI Trust Fund, as the majority of the debt repayment would not be incurred until after the October 1, 2021 FMLI Trust Fund repayment date.

ongoing costs of administering the FMLI program are to be covered by the FMLI Trust Fund, which receives revenue from employee contributions as determined by the Labor Commissioner. Such contributions are required to be collected by the start of FY 21. To the extent that there are ongoing administrative and investment costs prior to funding being available in the FMLI and prior to October 1, 2021, these costs will initially be paid through the General Fund before being reimbursed by the FMLI Trust Fund.

Administrative cost estimates are based on the costs identified in the "Implementing Paid Family and Medical Leave Insurance Connecticut" report undertaken by the Institute for Women's Policy Research pursuant to a contract with the Labor Department.[4]

FMLI State & Municipal Employee Impact

The bill excludes state and municipal employees from participation in the FMLI program. However, the bill allows employees excluded from the program to opt-in through collective bargaining. To the extent that otherwise excluded employees participate in the program through collective bargaining agreements, there is the potential for increased costs to their respective employers in FY 22 and beyond associated with the expansion of leave benefits and subject to the terms of the agreements that allow them to be part of that program. Any increased costs to the state or municipalities could potentially be mitigated by those entities during collective bargaining negotiation.

The Out Years

Ongoing costs for FMLI program administration and employee compensation are expected to be funded by revenues generated by employee contributions and the proceeds of investments of the resources of the FMLI Trust Fund beginning in FY 21.

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[4] Section 413 of PA 15-5 JSS required the Labor Commissioner to contract with a consultant to create an implementation plan for a paid family and medical leave program by October 1, 2015, including an actuarial analysis and report on the employee contribution level needed to ensure sustainable funding and administration for the program.

The increased administrative cost for the expansion of existing FMLA benefits would begin in FY 22.

The annualized ongoing fiscal impact of FMLI and the expansion of FMLA would continue into the future subject to inflation.