

Department of Planning and Budget

2018 Fiscal Impact Statement

1. Bill Number: SB736

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Favola

3. Committee: Commerce and Labor

4. Title: Paid family leave program.

5. Summary: Establishes a program under which certain employees of employers with 50 or more employees will be eligible for paid family leave for days they take leave from work to provide qualified caregiving, which is defined in the bill as an activity for a reason for which an employee would be entitled to leave under the federal Family and Medical Leave Act. The amount of qualified caregiving days for which an eligible employee may receive paid family leave benefits is capped at 30 days in any year. Applications for benefits will be administered by the Virginia Employment Commission (VEC). VEC is directed to adopt regulations within 280 days to establish (i) rates of payroll taxes to be paid by employers and employees to fund the program and (ii) the wage replacement payments under the paid family leave program, which are directed to be comparable to basic wage replacement benefits under the unemployment compensation program.

6. Budget Amendment Necessary: Yes, a new item would need to be established under the Virginia Employment Commission. See Item 8, below.

7. Fiscal Impact Estimates: Preliminary. See Item 8, below.

7a. Expenditure Impact, VEC administration of program:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	0	0	n/a
2019	0	0	NGF
2020	\$14 million	125	NGF
2021	\$14 million	125	NGF
2022	\$14 million	125	NGF
2023	\$14 million	125	NGF
2024	\$14 million	125	NGF

Expenditure Impact, Paid Family Leave Fund:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	0	0	n/a
2019	0	0	NGF
2020	\$147.8 million	0	NGF
2021	\$152.2 million	0	NGF
2022	\$156.8 million	0	NGF
2023	\$161.5 million	0	NGF
2024	\$166.4 million	0	NGF

7b. Revenue Impact, Paid Family Leave Fund:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	0	n/a
2019	0	NGF
2020	\$581.1 million	NGF
2021	\$598.6 million	NGF
2022	\$616.5 million	NGF
2023	\$635.0 million	NGF
2024	\$654.1 million	NGF

8. Fiscal Implications: It is anticipated that this bill will have a nongeneral fund expenditure and nongeneral fund revenue impact to the Virginia Employment Commission. This bill establishes a new program, the Paid Family Leave Program, to be administered by the Virginia Employment Commission (VEC). Currently, VEC provides temporary income support from funds derived from a tax paid by state employers to the Unemployment Insurance Trust Fund. Similarly, this bill establishes the Paid Family Leave Fund to be comprised of an employee and employer tax. All funds collected shall be deposited to the Fund to be used solely for the purposes of paying family leave benefits to individuals and for administration of the fund. Although the bill provides that expenses for administering this program may be paid from funds that may be made available by the federal government under Title III of the Social Security Act, or in the event that is not possible, then administrative expenses are to be paid from the employment administration account or fund in which funds granted under Title III are deposited, According to VEC, the United States Department of Labor has indicated that such federal funds cannot be used toward the administration of the Paid Family Leave Program.

Similar to the current unemployment insurance program, VEC anticipates that to fully implement this program an additional \$14 million and 125 positions will be required annually. Additionally, VEC anticipates other start-up costs including: \$10 million to \$15 million to develop the new software system; \$1 million to \$3 million for software licenses for the new system; \$3 million to \$5 million for infrastructure costs related to setting up and outfitting new locations; and \$5 million to \$10 million for supporting services software and infrastructure (human resources, finance, etc.).

The bill establishes an employee and employer tax, and directs VEC to collect the tax. The new employee tax will be a tax equal to a percentage of the wages received by the individual with respect to employment. The new employer excise tax will be equal to a percentage of the wages paid in any calendar year by the employer with respect to their employment. The percentage rate of the assessed taxes will be established by regulation adopted by the Commissioner. The revenue collected pursuant to these new taxes is to be deposited to the Fund. According to VEC, the estimated revenue for this fund could be \$564.2 million.

According to the U.S. Department of Labor, 13.2 percent of eligible employees use Family and Medical Leave Insurance in a year. Based on an estimate of Virginia's eligible employees, VEC anticipates that of those employees who use Family and Medical Leave Insurance, approximately 475,200 employees per year would do so for caregiver related activities. Using Virginia's average wages, the estimated annual benefits for those individuals could be \$143.5 million.

The Commissioner will promulgate regulations to establish the percentage rate of the taxes and the paid family leave benefit amount within 280 days of the enactment of this bill. The provisions of this bill will become effective on the July 1 that follows the adoption of the final regulations.

Any impact this bill may have on the Department of Human Resource Management (DHRM) or state agencies is indeterminate at this time. However, DHRM anticipates that administering this program for state agencies may require additional investment in information technology.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission; Department of Human Resource Management; all state agencies; court system.

10. Technical Amendment Necessary: No.

11. Other Comments: None.