Department of Planning and Budget
2019 Fiscal Impact Statement

1. **Bill Number:** SB1639

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Boysko

3. **Committee:** Commerce and Labor

4. **Title:** Paid family and medical leave program.

5. **Summary:** Requires the Virginia Employment Commission to establish and administer a paid family and medical leave program. Under the program, benefits are paid to eligible employees for family and medical leave. Funding for the program is provided through premiums assessed to employers and employees. The amount of a benefit is 70 percent of the employee's average weekly wage, not to exceed $850 per week, which amount is required to be adjusted annually to reflect changes in the Consumer Price Index. The measure caps the duration of paid leave at 12 weeks in any 52-week period, though 26 weeks of paid leave may be taken if the leave qualifies as military caregiver leave under the federal Family and Medical Leave Act. Employers with 25 or fewer employees are exempt from paying their contribution to the program but may elect to participate voluntarily. Self-employed individuals are provided the option of participating in the program. The measure also provides that employers may operate their own equivalent voluntary plans.

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.

   7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2019	$0	0	0
2020	$2.33 Billion	250	NGF
2021	$2.29 Billion	250	NGF
2022	$2.29 Billion	250	NGF
2023	$2.29 Billion	250	NGF
2024	$2.29 Billion	250	NGF
2025	$2.29 Billion	250	NGF

   7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2019	$0	0
2020	$2.3 Billion	NGF
2021	$2.3 Billion	NGF
2022	$2.3 Billion	NGF

2023	$2.3 Billion	NGF
2024	$2.3 Billion	NGF
2025	$2.3 Billion	NGF

8. **Fiscal Implications:** This fiscal impact estimate is preliminary and reflects anticipated impacts to the Virginia Employment Commission; impact estimates to other potentially affected state entities are not available at this time.

   It is anticipated that this bill will have a nongeneral fund expenditure impact and nongeneral fund revenue impact to VEC. The bill establishes a new program, the Paid Family and Medical Leave Insurance Program, to be administered by 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 and Medical Leave Insurance Fund (the 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 and medical leave insurance benefits to individuals and for administration of the Fund.

   According to VEC, in order to support the benefit level established in this bill, premiums would have to be assessed in the amount of 1.3 percent of wages. This amount would be split between the employer and the employee. Total annual benefits are estimated to be $2.26 billion annually based on a projected utilization rate of 13 percent, an average weekly wage of $1,120, and an average duration of 5.5 weeks. The actual amount paid could change based on these variables. The projected utilization rate, average duration, premium, and projected utilization rate in VEC's estimate are based on the Department of Labor's 2012 and 2014 Family and Medical Leave Report, and adding a three percent increase in wages in 2018 to the average weekly wage in Virginia in 2017 from Unemployment Insurance tax records.

   In addition to the amounts above, VEC estimates that it would require start-up costs of approximately $70 million in order to develop and implement the required IT systems and staffing (250 FTEs) for the program. The estimate in development and implementation of a system to manage such a program is $60 million. This is based on the cost to develop other similar systems, however a detailed procurement would have to be completed to determine if this would be adequate considering the robust requirements that would be essential to operationalize a sensitive system of this nature. VEC estimates an upfront need of $5.0 million for pre-implementation staffing, $2.5 million for furniture and office equipment, and $2.5 million for training and business process development. Until such time as revenue could be generated to offset the upfront expenses, VEC would require a line of credit, treasury loan, or general fund appropriation.

   VEC anticipates that ongoing operational costs would be approximately $33.5 million annually, comparable to the administration of Unemployment Insurance. This includes $14.0 million in ongoing staff costs for salaries and benefits and $16.0 million in ongoing IT costs to cover anticipated VITA expenses, call center systems, and other IT services. Other operational expenses such as facilities expenses, telecommunications, postage, legal services and other items could be an additional $3.5 million annually. Since this is a state-directed program, no federal funds could be used to support any component of this legislation. In order to generate sufficient revenue to cover this expense, the tax rate would have to increase to approximately 1.35 percent.

The fiscal impact to the Department of Taxation, the Department of Human Resources Management, and other agencies is not known at this time. This impact estimate will be revised when such information becomes available.

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

10. **Technical Amendment Necessary:** Yes. Line 179, change “of set forth” to “as set forth”.

    Line 84 indicates that benefits start January 2021, but Line 128 indicates that benefits commence January 2020.

11. **Other Comments:** None.