



# 131st MAINE LEGISLATURE

LD 1964

LR 9(01)

## An Act to Implement the Recommendations of the Commission to Develop a Paid Family and Medical Leave Benefits Program

### Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Sen. Daughtry of Cumberland

Committee: Labor and Housing

Fiscal Note Required: Yes

### Preliminary Fiscal Impact Statement

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
<b>Net Cost (Savings)</b>				
General Fund	\$71,000,000	\$0	\$0	\$0
<b>Appropriations/Allocations</b>				
Other Special Revenue Funds	\$67,211,289	\$6,571,264	\$175,350,752	\$352,298,665
<b>Revenue</b>				
Other Special Revenue Funds	\$0	\$181,838,250	\$371,497,500	\$387,471,150
<b>Transfers</b>				
General Fund	(\$71,000,000)	\$0	\$0	\$0
Other Special Revenue Funds	\$71,000,000	\$0	\$0	\$0

#### Fiscal Detail and Notes

This bill implements a paid family and medical leave benefits program that entitles eligible individuals to take leave from employment for certain family and medical reasons and receive paid benefits during that leave. It authorizes the assessment of a premium based on employee wages, to begin on January 1, 2025, to finance the payment of benefits as well as administrative costs. The bill provides that the premium amount may not be more than a combined rate of 1.0% of wages. Employers that employ 15 or more employees are required to remit 100% of the cost of the premium which can include up to 50% deducted from employee wages. Employers with fewer than 15 employees are required to remit 50% of the premium cost, all of which can be deducted from employee wages.

The bill establishes the weekly benefit amount to be paid at 90% of an employee's or self-employed individual's average weekly wage with a maximum weekly benefit amount being capped at 120% of the state average weekly wage and limits the aggregate amount of leave an individual may take to 16 weeks per year. The bill establishes January 1, 2026 as the date benefit payments begin. The bill requires the Department of Labor to administer the program and authorizes the use of a 3rd party administrator to conduct any functions necessary to implement the program.

This fiscal note utilizes information from the Maine Paid Family and Medical Leave Benefits Program actuarial study dated August 2022, performed by Milliman, Inc. Milliman, Inc. prepared numerous program "design options" with varying assumptions on income replacement, waiting periods and benefit periods to estimate the contributions and benefit amounts that each option would generate. Although the program design of 90% income replacement, 7 day waiting period and 16 weeks of maximum benefits included in this bill was not one of the options prepared by Milliman, Inc., this fiscal note uses an average of 2 design options that were included in the actuarial study that had benefit periods of 12 weeks and 20 weeks to get to an option with 16 weeks. Based on this method, contributions of \$181,838,250 are estimated to be received in fiscal year 2024-25. Future contributions are estimated to be \$371,497,500 in fiscal year 2025-26 and \$387,471,150 in fiscal year 2026-27. The amount of benefits to be paid to eligible employees are estimated to be \$162,675,000 in fiscal year 2025-26 and \$339,100,000 in fiscal year 2026-27. Assuming these estimates are realized, the bill's required fund balance (annualized amount), defined as 140% of the previous year's expenditures, is unlikely to be achieved under a maximum 1% combined contribution rate.

The Department of Labor has estimated that it will cost approximately \$67,211,289 in fiscal year 2023-24 and \$6,571,264 in fiscal year 2024-25 to establish and implement the paid family and medical leave program. Of that amount, approximately \$65,000,000 is for the one-time cost in fiscal year 2023-24 to develop the infrastructure needed to collect the premiums from employers. The estimated ongoing costs for the initial staff and related expenses needed to implement the program to be \$2,211,289 in fiscal year 2023-24 and \$6,571,264 in fiscal year 2024-25. This estimates assumes 11 positions begin on October 1, 2023 and an additional 23 positions begin on July 1, 2024. Because contributions to support the program will not begin until January 2025, a one-time transfer of \$71,000,000 from the unappropriated surplus of the General Fund to the Paid Family and Medical Leave Insurance Fund will be required no later than October 31, 2023. The department estimates it will require a total of 95 positions to fully administer the program beginning in fiscal year 2025-26 at a cost of 12,675,751.

Any family leave benefits and medical leave benefits paid under the program are not subject to the state income tax.