

**Testimony on LD 258, "An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025."**

February 10, 2023

James Myall, Economic Policy Analyst

Good afternoon Senators Rotundo and Tipping, Representative Sachs and Roeder, and the members of the Joint Standing Committees on Appropriations and Financial Affairs and Labor and Housing. My name is James Myall, and I am an Economic Policy Analyst at the Maine Center for Economic Policy. I'm before you today to testify neither for nor against the Governor's proposed budget relating to labor issues.

In particular, I want to urge your committees to set aside an appropriation to cover the implementation of a statewide Paid Family and Medical Leave program. As I'm sure you're aware, a broad coalition of advocates and member organizations from across the state are supporting the recent findings of a legislative commission which recommended the implementation of a paid family and medical leave system.<sup>1</sup> The Labor and Housing Committee will consider these recommendations soon and will hopefully agree with the commission and pass a bill to establish a program.

The commission's recommendation follows the model used by programs in other states – a self-sustaining program that funds both benefits and administrative costs through a payroll tax. This structure means the program would not require ongoing appropriations.

However, it is likely that the program will require some *one-time* funding to cover its start-up costs. The biggest single one-time cost is the cost of creating computer software to track benefit eligibility and payments. It is common for states to invest in these systems when they create a PFML program. Maine's Department of Labor has estimated this cost at \$65 million.<sup>2</sup> There are options to reduce this upfront cost. Other states, for example, have estimated lower costs for IT systems.<sup>3</sup> It may also be possible for the new program to issue a revenue bond to cover some of its expenses.

Nevertheless, I would urge you to set aside funding in the biennial budget to ensure the smooth implementation of the program.

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Appropriating these funds will be a critical component of creating a paid family leave system for Maine – an initiative that is supported by 70 percent of Mainers<sup>4</sup> and which has the power to be transformative for our workforce. Not only will it provide financial security to hundreds of thousands, but we're already seeing in other states that paid family and medical leave helps keep people, especially women, in the workforce. It's a key piece of solving our workforce shortage.<sup>5</sup>

This budget cycle is a perfect time to set aside this money, since the state has a large surplus. What's more, this one-time expenditure will set us up for future success without incurring future ongoing costs. It's an excellent long-term investment.

Thank you for considering this request. I've worked closely on this issue for several years, and I'm happy to answer any questions you might have. In addition to taking questions now, I'm available at [jmyall@mecep.org](mailto:jmyall@mecep.org).

## Notes

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<sup>1</sup> 130<sup>th</sup> Legislature, *Commission To Develop a Paid Family and Medical Leave Benefits Program*, December 2022 <https://legislature.maine.gov/doc/9693>.

<sup>2</sup> 130<sup>th</sup> Legislature, *Commission To Develop a Paid Family and Medical Leave Benefits Program*, December 2022 <https://legislature.maine.gov/doc/9693>, page 229

<sup>3</sup> IMPAQ International, *A Review of the Administrative Costs of Establishing a State Paid Family and Medical Leave Program*, [https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/microsim\\_doc\\_admin\\_cost\\_508.pdf](https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/microsim_doc_admin_cost_508.pdf).

<sup>4</sup> Pan Atlantic Research, *59<sup>th</sup> Omnibus Poll*, October 2022. <https://drive.google.com/file/d/1wmii1yM-GwC9p-j17gYyChBy9NCJ8m0e/view>

<sup>5</sup> Courtney Coile, Maya Rossin-Slater & Amanda Su, *The Impact of Paid Family Leave on Families with Health Shocks*, National Bureau of Economic Research, working paper 30739, December 2022. <https://www.nber.org/papers/w30739>