



## Maine Women's Lobby

May 18, 2023

Senator Rotundo, Representative Sachs, Senator Tipping, Representative Roeder, and Honorable Members of the Joint Committee on Appropriations and Financial Affairs, and the Joint Committee on Health and Human Services,

I join you today on behalf of the Maine Women's Lobby. We are also the conveners of the Maine Paid Leave Coalition, with a membership of nearly 40 organizations and businesses representing over 200,000 Mainers. I am before you today **Neither For Nor Against LD 258, An Act Making Unified Appropriations and Allocations.**

We can't consider the landscape of labor without acknowledging the disproportionate impact of our labor policies on women and caregivers.

- Women's jobs represent 75 percent of pandemic related job losses<sup>1</sup>, and women's participation in the workforce is at its lowest point in over 30 years<sup>2</sup>.
- Maine women are far more likely than men to work part-time cite unpaid caregiving as the reason for working part-time – in fact, too few men cited these concerns to show a statistical sample<sup>3</sup>.
- Women are the backbone of caregiving in Maine (over 60%<sup>4</sup>), which is the primary reason they are twice as likely to live in poverty as men during their retirement years.<sup>5</sup>

These facts are related and are driven by a **systemic lack of investment in care infrastructure in Maine and nationally. Right now, we have a once in a generation opportunity to change that.**

Paid Family and Medical Leave is the rare piece of state infrastructure that meets business, human, and political needs:

- **It significantly decreases turnover costs for small businesses**, because employees are more likely to return to their jobs after paid leave.<sup>6</sup>

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<sup>1</sup> National Women's Law Center (2022). Women Gain 83% of Jobs While 170,000 Women Leave Labor Force in June. Retrieved from <https://nwlc.org/wp-content/uploads/2022/07/June-Jobs-Day.pdf>

<sup>2</sup> National Women's Law center. (2023). Another 275,000 Women Left the Workforce in January. Retrieved from <https://nwlc.org/resource/january-jobs-day-2021/>

<sup>3</sup> Cutler Institute (2022). Economic Security of Older Women in Maine. Available at [MaineWomen.org/publications](https://MaineWomen.org/publications)

<sup>4</sup> Maine CDC. (2019). Maine Caregiving Infographic. Retrieved from: <https://www.cdc.gov/aging/data/infographic/2019/maine-caregiving.html>

<sup>5</sup> Cutler Institute. (2022). The Economic Security of older Mainers: A Data Report. Retrieved from <https://www.mainewomen.org/s/EconomicSecurityOlderWomeninMaineReport-FINAL2.pdf>

<sup>6</sup> Nadeau et al. (2017). Paid Sick Days and Paid Family and Medical Leave Are Not Job Killers. Retrieved from <https://www.americanprogress.org/article/paid-sick-days-and-paid-family-and-medical-leave-are-not-job-killers/>

- It **stabilizes the workforce**, because it allows people to meet their family needs and then return – and especially keeps women attached to the work force.<sup>7</sup>
- It **improves family economic stability**, women’s retirement savings, and evens out the gender- and race-pay gap.<sup>8</sup>
- It **improves overall health of the population**, by increasing rates of breastfeeding, bonding, family care, aging in place, vaccinations, and more – which means that the state’s investment comes back.<sup>9</sup>
- It is **supported overwhelmingly by Mainers**, including over 80 percent of registered Republicans.<sup>10</sup>

We have a rare opportunity before us. The Maine Commission on Paid Family and Medical Leave has presented a unanimous report after 18 months of diligent bipartisan work. We have a bipartisan bill reflecting the findings. We have a coalition of nearly 40 member organizations, representing over 200,000 Mainers – you’ll meet many of them next Thursday! We have signatures from 80,000 of our neighbors demanding this change. We have the most promising revenue forecasts in a decade.

**We simply need a one-time investment in the startup costs, to build a game-changing piece of infrastructure that will improve the health of our people and our economy.**

Maine can’t wait. It is time to make this investment, and I hope you will pass a budget that recognizes that the time for Paid Family and Medical Leave has come.

Thank you for your consideration.

Sincerely,



**Destie Hohman Sprague, Executive Director**

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<sup>7</sup> Institute for Women’s Policy Research. (2020). New Study Reveals Paid Family Leave Policies Lead to 20 Percent Fewer Women Leaving the Workforce. Retrieved from <https://iwpr.org/media/press-releases/new-study-reveals-paid-family-leave-policies-lead-to-20-fewer-women-leaving-the-workforce/>

<sup>8</sup> Bipartisan Policy center. (2021). Paid Family Leave Can Help Close the Gender Pay Gap. Retrieved from <https://bipartisanpolicy.org/blog/paid-family-leave-can-help-close-the-gender-pay-gap/>

<sup>9</sup> CNN. (2016). The benefits of paid leave for children are real, majority of research says. Retrieved from <https://www.cnn.com/2015/10/29/health/paid-leave-benefits-to-children-research/index.html>

<sup>10</sup> PanAtlantic Research. (2023). Memo: Paid Family and Medical Leave Poll Results. Retrieved from <https://mainefamilyleave.org/s/04072023-Maine-Polling-Memo-1.docx>

## Paid Family and Medical Leave Start-Up Costs

Estimating start-up costs is a critical part of developing and implementing a successful paid family and medical leave program. The following information was compiled by partners at A Better Balance and within the Maine Paid Leave Coalition.

### What do paid family and medical leave insurance start-up costs consist of?

Broadly, states have considered the following items as part of their program start-up costs, as summarized by this study submitted to the U.S. Department of Labor in 2021:

- **IT implementation:** Information technology, including hardware, software, and programming to manage both payroll premium collections and benefits disbursement. *This is the largest portion of PFML start-up costs.*
- **Program management and planning staff:** Salaries and benefits for employees who will help to oversee the new PFML program. Initial staffing costs during a program's start-up phase may include employees who will only engage on the program during the start-up phase (e.g., initial rulemaking staff, consultants, etc.), and others may be permanent staff who stay engaged during the program's operations phase.
- **Claims processing and review staff:** Claims staff are typically hired towards the end of the start-up period but prior to program launch, since these employees will need training before initial claims and benefits claim begin. This includes enforcement/appeals and program integrity units.
- **Outreach:** Initial outreach and education efforts to raise awareness of the program among various stakeholders. The intensity of outreach can fluctuate, but typically builds closer to different program launch dates (e.g., outreach to employers prior to premium collection; outreach to employers/employees prior to wage replacement, etc.).
- **Additional expenses:** Overhead and capital needs (e.g., office space, employee phones, computers, etc.).

### How does the Maine Department of Labor's Estimate of \$65 million in one-time IT costs compare to other states?

The estimate of \$65 million in IT start-up costs provided by the Maine Department of Labor in the Task Force (Appendix E) report is significantly higher than the experience and estimates in other states that have come in under \$45 million, with recent experience from Colorado and Connecticut showing that overall startup costs—before premium collection begins—could even be possible with under \$30 million. The parallel Maine paid family and medical leave ballot measure coalition believes the startup costs are closer to \$40 million, with the ballot initiative itself authorizing bonds for start-up not to exceed \$50 million.

As stated above, IT start-up costs are the largest line item in state PFML start-up budgets. This is a higher one-time cost over the first two years of the start-up period to get the system infrastructure built that drops substantially for ongoing administration and operations.

### **Various PFML IT Start-up Cost Projections From Other States, Followed by Recent Data from CO, CT, and WA:**

State	Source	IT Start-up Costs (\$M)
<u>CO</u>	Fiscal Note (2020)	\$40.8 (Note: See data below, suggesting this has been

		done for less)
<u>CT</u>	Budget (2020-2021)	\$20.2 (see IT Software & Support + IT Equipment)
<u>DC</u>	Fiscal Note (2016)	\$40.0
<u>MN</u>	Feasibility Study (2015)	\$45.0
<u>NM</u>	Task Force report (2022)	\$32.0
<u>WA</u>	Budget (Fiscal Year 2018 and Fiscal Year 19)	\$38.0

Furthermore, recent data from Colorado, Connecticut, and Washington on start-up costs reflect the fact that Maine's estimates are too high:

- **In Colorado**, according to the November 2020 program fiscal note, the State estimated **\$40 million for a one-time capital cost for the IT build** (see page 34 [here](#)). In Colorado, *total* start-up costs obtained by the State before the program becomes self-sufficient through premium contribution was only \$58.5 million, *including* the one-time capital cost for IT; this was obtained through \$1.5 million of initial funding in 2021 followed by \$57 million in 2022. The fact that *total* start-up costs, which also include staffing, outreach, etc., is \$58.5 million in Colorado shows that the Maine estimate of \$65 million for IT is high. Furthermore, the Joint Budget Committee of the Colorado Legislature recently released [information and budget legislation](#) suggesting that only \$22 million of the \$57 million obtained by the FAMLI Division was expended prior to the start up premium collections in January 2023. **This indicates start-up costs in Colorado prior to collection of premiums may only have totaled \$23.5 million total.** ABB is working to confirm this data, but—regardless—CO's experience does show that Maine's estimated startup costs are too high.
- This [available budget information](#) from **Connecticut** suggests that the State was able to keep its 2020 and 2021 budget (the majority of which relates to IT and the program build) to under **\$30 million**, further underscoring that Maine's startup estimate is too high.
- **Washington State** only used \$63.2 million of their \$82 million startup loan for paid family and medical leave (PFML) implementation and paid it back with interest very quickly. Actual start-up costs were lower than projected. It is important to note that this \$63.2 million figure included not just IT but also general operations, staffing, etc. As noted on page 13 of [this early operating budget breakdown](#), **WA budgeted approximately \$38 million in FY 2018 and 2019 for IT costs and the IT build**, which represents the startup cost period before premium collection began in FY 2019.

#### **Do IT costs decrease over time?**

Yes, that is definitely the case. In **Washington's** budget, for example, you'll see in [this early budget breakdown](#) (on page 13's table) that IT costs were budgeted to be higher in the first two years of the program and its implementation and then drop to only a couple million a year as part of ongoing administration and operations. That is also reflected in the fiscal note from CO above which shows the IT build as a one-time cost and then a smaller ongoing operating budget after that.

### **What vendors have other states used to set up their PFML IT systems?**

Here is a list of the primary paid family and medical leave IT and product development vendors we could identify from WA, CO, CT, OR, DC, and MA. More details on the role of these vendors in each state is captured in this internal ABB memo.

- WA — **In-House IT Team** Worked with **Deloitte and Microsoft**
- CO — Primary IT Build Vendor: **Deloitte**
- CT — Primary IT Build Vendor: **Slalom**
- OR — Primary Vendor: **FAST Enterprises**; **Deloitte** provided more discrete project support
- DC — Primary Benefits System Vendor: **Geographic Solutions**
- MA — Primary Vendor: **Nava PBC**

### **What About Outsourcing?**

While outsourcing programs to a Third-Party (non-governmental) Administrator may seem to make start-up smoother, it **usually costs more over the long-run**.

- Administrative costs of state PFML programs are quite low. In 2020, administrative costs for California's disability and paid family leave program were 4.3%
- Administrative costs in the private sector run much higher. For example, according to the Congressional Budget Office, profits plus administration account for 13% to 19% of health care costs in private plans. The Kaiser Family Foundation reports privately administered Medicare Advantage plans average 14% administrative costs, compared to about 2% for the public Medicare program.

## PAID FAMILY LEAVE

Imagine Maine's paid  
leave possibilities...

## FOR SMALL BUSINESSES

Families & businesses have a lot in common.

They both take hard work and dedication, it's all hands on deck for emergencies, and sometimes things don't go as planned.

*It's a fact and it's time: families and businesses are both better off with paid family and medical leave.*

PFML actually *reduces* business costs.

PFML reduces turnover costs *and* encourages workers to stay in the labor force with the same employer.<sup>1</sup> Staff turnover averages 1/5 of an employee's annual salary.<sup>2</sup>

*Workers with access to paid leave are more likely to return to their jobs, resulting in less turnover costs for businesses.*

In states with PFML programs:<sup>3</sup>

**20%↓** reduction in number of women leaving their job within one year of welcoming a child.

**50%↓** reduction in number of women leaving their job within five years of welcoming a child.

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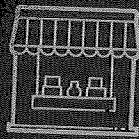
*Our small size and limited budget as a non-profit make it difficult for us to provide the level of leave we would like for our employees.”*

The Bay School, Blue Hill

## Want to support Maine's small businesses? Support PFML.

Small businesses often struggle to match the more generous leave benefits larger employers offer, making them less competitive in any labor market. **When all employers can offer the same kind of paid family and medical leave, we level the playing field and support Maine's small businesses.**

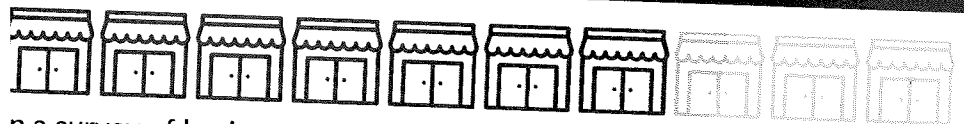
In most states with a statewide PFML program, small businesses & self-employed people have special exemptions - and employees still benefit from the PFML program:



*Delicious Bakery has less than 15 employees. They don't contribute to the PFML fund. Their employees can still access full benefits.*



*Rene is self-employed and only contributes an employee portion to the PFML fund and can still access full benefits.*



In a survey of business owners with fewer than 100 workers, seven in 10 said they support creating a family and medical leave insurance program funded through employer and employee contributions.<sup>4</sup>

### Citations

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Maine Paid Leave Coalition is a group of over 35 organizations convened by the Maine Women's Lobby. Learn more: [mainefamilyleave.org](http://mainefamilyleave.org).

