



131st MAINE LEGISLATURE

LD 1964

LR 9(02)

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

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Labor and Housing

Fiscal Note Required: Yes

Fiscal Note

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
Net Cost (Savings)				
General Fund	\$12,000,000	\$13,984,444	\$2,008,267	\$2,048,432
Highway Fund	\$0	\$272,075	\$555,033	\$566,134
Appropriations/Allocations				
General Fund	\$0	\$984,444	\$2,008,267	\$2,048,432
Highway Fund	\$0	\$272,075	\$555,033	\$566,134
Other Special Revenue Funds	\$11,815,000	\$12,661,300	\$65,253,267	\$316,899,800
Revenue				
Other Special Revenue Funds	\$0	\$168,981,000	\$345,230,000	\$360,074,200
Transfers				
General Fund	(\$12,000,000)	(\$13,000,000)	\$0	\$0
Other Special Revenue Funds	\$12,000,000	\$13,000,000	\$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 and that the contribution rate required to be remitted by an employer from employee wages must be determined by rule. This bill includes ongoing General Fund appropriations of \$984,444 and Highway Fund allocations of \$272,075 to the Department and Agencies - Statewide program within the Department of Administrative and Financial Services for the State's contributions effective January 1, 2025. This fiscal note assumes that the required contribution will be 1.0% and the State will contribute 50% of the cost.

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. Design option 7, which assumes 90% income replacement, a 7-day waiting period and a 12-week benefits period was determined to most closely reflect the provisions in this bill. Based on this option, contributions of \$168,981,000 are estimated to be received in fiscal year 2024-25. Future contributions are estimated to be \$345,230,000 in fiscal year 2025-26 and \$360,074,200 in fiscal year 2026-27. The amount of benefits to be paid to eligible employees, beginning May 1, 2026, are estimated to be \$47,716,667 in fiscal year 2025-26 and \$298,400,000 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 beginning in calendar year 2028, is likely to be achieved under a maximum 1% combined contribution rate.

The Department of Labor has estimated that it will cost approximately \$11,815,600 in fiscal year 2023-24 and \$12,661,300 in fiscal year 2024-25 to establish and implement the paid family and medical leave program. This estimates assumes funding for 8 positions in fiscal year 2023-24 and an additional 23 positions in fiscal year 2024-25 as well as All Other costs to support the positions and system development and modifications for the collection of premiums. Because contributions to support the program will not begin until the spring of 2025, a one-time transfer of \$12,000,000 no later than October 31, 2023 and an additional transfer of \$13,000,000 no later than July 31, 2024 from the unappropriated surplus of the General Fund to the Paid Family and Medical Leave Insurance Fund will be required. The department estimates it will require a total of 36 positions to fully administer the program beginning in fiscal year 2026-27 at a cost of 18,499,800.

As stated above, contributions received from the 1% assessment on wages reflect the cost to all employers and employees in the State whether private or public. Although General Fund appropriations and Highway Fund allocations are included in this bill to fund State agencies' share of the required contribution as an employer, funding for other employers who may receive partial funding from the State, including but not limited to school administrative units, municipalities and public higher educational institutions, is not included or estimated at this time. Whether such entities will require additional state funding in the future cannot be determined at this time.

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

Additional costs to the Department of Professional and Financial Regulation, the Department of Health and Human Services and the Department of Administrative and Financial Services to have a representative serve on the Paid Family and Medical Leave Benefits Authority can be absorbed within existing budgeted resources.