

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4731/1	Introduction Number AB-0666	
Description the establishment of a family and medical leave insurance program; family leave to care for a grandparent, grandchild, or sibling and for the active duty of a family member; the employers that are required to allow an employee to take family or medical leave; creating an individual income tax deduction for certain family or medical leave insurance benefits; allowing a local government to adopt ordinances requiring employers to provide leave benefits; providing an exemption from emergency rule procedures; providing an exemption from rule-making procedures; granting rule-making authority; making an appropriation; and providing a penalty		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445 (1)(a) and 20.445 (1)(w)		
Agency/Prepared By	Authorized Signature	Date
DWD/ Thomas Goodwyn (608) 267-9058	Danielle Williams (608) 266-2284	1/3/2020

Fiscal Estimate Narratives

DWD 1/3/2020

LRB Number	19-4731/1	Introduction Number	AB-0666	Estimate Type	Original
Description the establishment of a family and medical leave insurance program; family leave to care for a grandparent, grandchild, or sibling and for the active duty of a family member; the employers that are required to allow an employee to take family or medical leave; creating an individual income tax deduction for certain family or medical leave insurance benefits; allowing a local government to adopt ordinances requiring employers to provide leave benefits; providing an exemption from emergency rule procedures; providing an exemption from rule-making procedures; granting rule-making authority; making an appropriation; and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

This bill expands coverage of family and medical leave and establishes a paid family and medical leave benefit administered by the Department of Workforce Development (DWD).

Under current law, employers with 50 or more employees on a permanent basis are required to provide unpaid family and medical leave to their employees, and eligible employees are those who have worked at least 1,000 hours in the previous 52 weeks. This bill expands eligibility for benefits by requiring all employers to provide family and medical leave, reducing the number of required employee work hours for eligibility to 680, expanding relationship categories for whom an employee may provide care under family leave, and including qualifying exigencies (as determined by DWD through rule) for leave for covered active duty or an impending call or order to covered active duty.

The bill creates a family medical leave insurance program to be funded by individual employee contributions to a non-lapsable trust. Each individual employed in the state by an employer that is not the employee's child, spouse, domestic partner, parent, grandparent, grandchild, or sibling is required to contribute. "Employer" is further defined as any person engaging in any activity, enterprise, or business in Wisconsin including any office, agency, society, institution, etc. Self-employed individuals, who elect coverage under the program, may also make contributions to the fund.

Contributions are a percentage of employees' wages from employment or income from self-employment. Employers withhold, and have liability for, the contribution amounts from their employees, and DWD is to collect contributions in the same manner as the department collects contributions to the unemployment reserve fund. DWD shall collect contributions from self-employed individuals pursuant to procedures established by the department. The bill creates appropriation s. 20.445(1)(w), a continuing segregated revenue appropriation, to pay benefits under the program and to pay for administration of the program.

In administering the program, the bill requires DWD to:

- Consult with the Office of the Commissioner of Insurance (OCI) and determine the amount of contribution required by each employee that is needed to pay administration of, and benefits under, the program and that does not exceed the amount necessary to ensure solvency of the family and medical leave trust fund;
- Establish procedures and forms for the filing of claims for benefits;
- Establish procedures and forms for collecting contributions from self-employed individuals;
- Promulgate rules to implement the program;
- Use information sharing and integration technology to facilitate the exchange of information as necessary for the department to perform its duties;
- Conduct a public outreach campaign to inform employers, employees, self-employed individuals, and other covered individuals regarding the program;
- Inform beneficiaries of potential federal tax liabilities and provide a mechanism for withholding a portion of benefit payments for tax liabilities;
- Implement safeguards to validate claims;
- Recover overpayments and / or erroneous payments;

- Process complaints related to interference with or denial of an individual's rights under the program;
- Submit an annual report to the governor, the Joint Committee on Finance, and the appropriate standing committees of the legislature on various aspects of the program;
- Adjust on April 1 of each year the maximum daily benefit payment by a percentage equal to the average annual percentage change in the U.S. consumer price index;
- Annually publish the maximum weekly payment in the Wisconsin Administrative Register

DWD shall promulgate emergency rules as required for the period before the effective date of the permanent rules promulgated. Collections for the fund would begin January 1, 2023. Benefit claims and payments begin January 1, 2024.

The fiscal estimate for this bill is comprised of costs for 1) developing the program's infrastructure, 2) start-up administration of the program, and 3) on-going annualized costs of the program.

The department estimates staff and resource costs for developing the program's infrastructure to be \$942,100. These costs are for 9,072 work hours or 4.9 full time equivalents (FTEs), assuming 1,852 hours of work time per FTE, and would be incurred through promulgating rules, analyzing information technology business requirements to implement the program, consulting with OCI to determine the percent of employee wage or income to be contributed to the insurance program, performing procurement activities for a consultant to perform an actuarial analysis, and purchasing actuarial consultant services. This estimate assumes the infrastructure development work needs to be completed prior to fiscal year 2022-23. Therefore, the department would need to direct these costs to GPR as revenue in the bill's new appropriation, s. 20.445 (1)(w), would not be available until state fiscal year 2022-23. Costs for this bill are not allowable under DWD's current federal and segregated fund sources.

Start-up administration work for the family and medical leave insurance program is estimated to be \$3,453,200. These costs are for 41,670 work hours, or 45 state FTE positions employed for six months prior to the program's start date of January 1, 2023. The estimated salary, fringe benefit, and operational costs for these positions is \$3,223,200. One-time costs associated with staffing 45 start-up positions is \$230,000.

Costs for development, user acceptance testing, and deployment of IT infrastructure to support the program is indeterminate, at this time.

Annualized costs of the implemented program, including benefit payments, is \$216,876,600. This estimate is developed using an analysis of:

- Recent costs and trends from three states with similar family and medical leave insurance programs;
- Wages for employees in Wisconsin from the Bureau of Labor Statistics; and
- Recent fiscal notes and estimates from other states considering similar legislation.

Based on Wisconsin employment statistics and trends in participation from other states with similar programs, the department projects the total annualized benefit payment amount to be \$196,403,000. DWD administration of the program is estimated to require 370,400 work hours annually. To staff this work, a minimum of 206 state FTEs in six bureaus with a total of 27 separate job classifications are needed. This FTE estimate includes a 3.0% turnover vacancy rate equivalent to 6.0 FTE. Estimated salary and fringe benefit costs for 200 filled positions would be \$15,947,300. Operational costs associated with these positions would be \$4,526,300. One-time costs associated with staffing 155 positions (in addition to the 45 start-up positions) is \$542,500. Once implemented, and assuming the administration is performed by state employees, the estimated on-going, annual cost for the program, without IT infrastructure costs, is \$216,876,600. On-going IT infrastructure support and / or the cost of contracting out the administrative function of the program is indeterminate, at this time.

Local governments, as Wisconsin employers, may incur costs related to provisions in the bill. These costs are indeterminate, at this time.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The estimated start-up salary, fringe benefit, and operational costs is \$3,223,200. One-time costs associated with staffing 45 start up positions is \$230,000. One-time costs associated with staffing 155 additional positions (for a total of 200) is \$542,500.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$15,947,300	\$
(FTE Position Changes)	(206.0 FTE)	
State Operations - Other Costs	4,526,300	
Local Assistance		
Aids to Individuals or Organizations	196,403,000	
TOTAL State Costs by Category	\$216,876,600	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S (20.445 (1) (w))	216,876,600	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S (20.445 (1) (w))	216,876,600	
TOTAL State Revenues	\$216,876,600	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>

NET CHANGE IN COSTS	\$216,876,600	\$
NET CHANGE IN REVENUE	\$216,876,600	\$
Agency/Prepared By		
DWD/ Thomas Goodwyn (608) 267-9058	Authorized Signature	Date
	Danielle Williams (608) 266-2284	1/3/2020