

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

| | | | |
|---|--|---|-------------|
| LRB Number 21-6175/1 | | Introduction Number AB-1098 | |
| 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 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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 | 3/23/2022 |

Fiscal Estimate Narratives

DWD 3/23/2022

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|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 21-6175/1 | Introduction Number | AB-1098 | 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).

Provisions include all employers in Wisconsin being required 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 related to 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 segregated non-lapsable trust fund. 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 use the same method for collecting these contributions as it uses to collect contributions made 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) Family and medical leave insurance trust fund, a continuing segregated revenue appropriation, to pay benefits under the program and to pay for administration of the program. Because the bill does not authorize any positions, it is assumed all personnel related administration costs would be accomplished with contractors. The bill does not provide funding to develop the program's employee contribution or benefit disbursement infrastructure.

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, 2024. Benefit claims and payments begin January 1, 2025.

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 the costs for developing the program's infrastructure to be \$1,430,100 for activities that include 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 January 1, 2024. 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 after January 1, 2024. 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 \$2,929,300, for 45 full time equivalent (FTE) positions employed or contracted six months prior to the program's start date of January 1, 2024. Using state employee job classifications and average pay as a proxy, the estimated salary, fringe benefit, and operational costs for contracted positions is \$2,731,300. One-time costs associated with onboarding a staff cohort of this size are \$198,000. Costs for development, user

acceptance testing, and deployment of IT infrastructure to support the program is currently indeterminate.

In administering the program, the bill requires DWD to:

- Conduct a public outreach campaign to inform employers, employees, self-employed individuals, and other covered individuals about 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 and 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.

Annualized costs of the implemented program, including benefit payments, is \$213,014,700. This estimate is developed using an analysis of:

- Recent costs and trends from states with similar family and medical leave insurance programs;
- Wages for employees in Wisconsin from the Bureau of Labor Statistics;
- 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 \$192,807,800. DWD administration of the program is estimated to require 370,400 work hours annually. To staff this work, a minimum of 200 FTEs is needed. Using state employee job classifications and average pay as a proxy, the estimated salary and fringe benefit costs for contracted staff would be \$15,993,400. Operational costs associated with these positions would be \$4,213,500. One-time costs associated with onboarding 155 positions (in addition to the 45 start-up positions) is \$682,000. Once implemented, the estimated on-going, annual cost for the program, without IT infrastructure costs, is \$213,014,700. On-going IT infrastructure support is currently indeterminate.

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 - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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| LRB Number 21-6175/1 | Introduction Number AB-1098 | |
| 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 | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | |
| The costs for developing the program's infrastructure are estimated to be \$1,430,100. The start-up administrative costs for the program are estimated to be \$2,731,300. The costs associated with onboarding 45 positions is \$198,000. The costs associated with staffing 155 additional positions (for a total of 200) is \$682,000. | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: |
| | Increased Costs | Decreased Costs |
| A. State Costs by Category | | |
| State Operations - Salaries and Fringes | \$ | \$ |
| (FTE Position Changes) | | |
| State Operations - Other Costs | 20,206,900 | |
| Local Assistance | | |
| Aids to Individuals or Organizations | 192,807,800 | |
| TOTAL State Costs by Category | \$213,014,700 | \$ |
| B. State Costs by Source of Funds | | |
| GPR | | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S (20.445 (1)(w)) | 213,014,700 | |
| 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)) | 213,014,700 | |
| TOTAL State Revenues | \$213,014,700 | \$ |
| NET ANNUALIZED FISCAL IMPACT | | |
| | <u>State</u> | <u>Local</u> |
| NET CHANGE IN COSTS | \$213,014,700 | \$ |
| NET CHANGE IN REVENUE | \$213,014,700 | \$ |

| Agency/Prepared By | Authorized Signature | Date |
|------------------------------------|----------------------------------|-----------|
| DWD/ Thomas Goodwyn (608) 267-9058 | Danielle Williams (608) 266-2284 | 3/23/2022 |