



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	HB0392	Title:	Creating the family and medical leave insurance act
Primary Sponsor:	Eck, Jennifer	Status:	As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:				
General Fund	\$4,413,682	\$1,023,370	\$1,023,370	\$1,023,370
State Special Revenue	\$624,458	\$624,458	\$624,458	\$624,458
Federal Special Revenue	\$385,950	\$385,950	\$385,950	\$385,950
MUS Other funds	\$817,117	\$817,117	\$817,117	\$817,117
Enterprise	\$0	\$34,428,485	\$72,306,763	\$76,905,488
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
MUS Other funds	\$0	\$0	\$0	\$0
Enterprise	\$15,813,139	\$79,065,696	\$79,065,696	\$79,065,696
Net Impact-General Fund Balance:	<u>(\$4,413,682)</u>	<u>(\$1,023,370)</u>	<u>(\$1,023,370)</u>	<u>(\$1,023,370)</u>

Description of fiscal impact: This bill creates the Montana Family Medical Leave Act, managed by the Department of Labor and Industry which will become a bureau with the Unemployment Insurance Division. All covered employers and their employees will pay a contribution rate determined by the department into an enterprise fund for payment of benefits and administration of the fund.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry (DoLI)

1. This fiscal note assumes that employee's and employer's contributions would begin January 1, 2018.
2. The average annual wage, as calculated based on 39-51-2201, MCA, by the Contributions Bureau of the Unemployment Insurance Division, is \$39,300. Base wages as determined by the maximum \$1,000 weekly

benefit amount is \$84,520 and is the maximum wage used to calculate the amount of contributions the department will receive.

- The table below provides the estimated contributions based on ranges of annual wages reported to Unemployment Insurance Division.

Employees and employers' equal contributions representing half a percent of total wages				
Employee Earns Annual Wages Totaling	Employee's Annual Contribution (.25%)	Employer's Annual Contribution (.25%)	Estimated Number of Employees	Estimated Annual Contributions for FMLA Act
\$10,000	\$25.00	\$25.00	174,219	\$8,710,950
\$20,000	\$50.00	\$50.00	91,338	\$9,133,800
\$30,000	\$75.00	\$75.00	134,386	\$20,157,900
\$40,000	\$100.00	\$100.00	42,202	\$8,440,400
\$50,000	\$125.00	\$125.00	29,553	\$7,388,250
\$60,000	\$150.00	\$150.00	19,822	\$5,946,600
\$70,000	\$175.00	\$175.00	9,239	\$3,233,650
\$84,520	\$211.00	\$211.00	9,239	\$3,898,858
Greater than \$84,520	\$211.00	\$211.00	28,804	\$12,155,288
Grand Total				\$79,065,696

- For FY 2018, the department would only collect contributions reported by employers for quarter ending March 31, 2018. The department assumes 20% of the total annual contribution will be collected in FY 2018 (79,065,696 X 20% = \$15,813,139) but not until the June 2018.
- Each succeeding state fiscal year reflects an entire year of contributions collected with no change in the average annual wage for purposes of this fiscal note only.

Benefit Assumptions:

- The department would begin paying benefits to eligible covered employees on January 1, 2019.
- The department estimates six months worth of benefits to be paid in FY 2019.
- The department estimates that 60% of vital records for births and deaths would result in participation in the FMLA Act. (21,776 x 60% = 13,066).
- The department estimates an average 9-week duration and an average weekly benefit of \$566 for FY 2019.
- The table below provides the estimated benefits based on a 4.39% growth factor in weekly benefit amount and a 2% growth factor in participation for FY 2020 and FY 2021. The 4.39% growth factor for benefits is the current growth in covered wages for the average of the last three years. The 2% growth in participation is based upon the experience of other states who have offered similar programs.

Estimated FMLA Benefits Paid				
State Fiscal Year	FMLA Eligible Participants	Average Duration in Weeks	Average Weekly Benefit Amount	Estimated Benefit Amount
2019	13,066	9	\$566	\$33,279,102
2020	13,327	9	\$591	\$70,888,015
2021	13,594	9	\$617	\$75,486,740

Cost Assumptions:

11. One-time-only costs consist of office supplies/furniture and a computer at a cost of \$2,800 for each FTE.
12. Rent is estimated at \$34,000.
13. The department estimates total rule making cost of \$4,670 in FY 2018.
14. For purposes of this fiscal note, 13% of personal services is estimated for operational expenses such as telephone, copiers, scanners, utilities, minor equipment, supplies, etc.
15. Start-up costs for development of the tax system are estimated to be \$336,811 (\$276,522 for personal services and \$60,289 for operating) in FY 2018.
16. The on-going FTE costs for contribution collection beginning January 1, 2018 through June 30, 2018 are estimated to be \$325,587 (\$253,321 personal services and \$72,266 operating). For FY 2019 these costs are estimated to be \$611,974 (\$506,643 personal services and \$105,331 operating).
17. The on-going FTE costs for benefit payments beginning January 1, 2019 through June 30, 2019 are estimated to be \$314,164 (\$241,546 personal services and \$72,619).
18. The on-going FTE costs for contribution collection and benefit payment for FY 2020 and FY 2021 are \$1,195,504 (\$989,735 personal services and \$205,769 operating).
19. It is assumed the department would need to contract for IT services in order to program the current tax collection system to be able to collect and track these contributions. The cost of this services is estimated to be \$2,500,000 in FY 2018.
20. Programming changes would also be required related to the current unemployment benefit payments system in order to track and record these benefit payments. Existing internal department IT staff would be used to complete this work. At this time, the department does not anticipate hiring additional FTE to complete this work.
21. Based on a contribution rate of 0.25%, the cost for the employer contribution for the Montana University System employees would be \$1,092,860.
22. Based on a contribution rate of 0.25%, the cost for the employer contribution for State of Montana employees would be \$1,947,280.
23. As indicated in Assumption 4, no revenue would be collected prior to the last quarter of 2018. Therefore administrative costs for FY 2018 would need to be paid from the general fund.

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<u>Fiscal Impact:</u>				
FTE	5.00	8.00	10.00	10.00
<u>Expenditures:</u>				
Personal Services	\$3,569,983	\$3,788,329	\$4,029,875	\$4,029,875
Operating Expenses	\$2,671,224	\$211,950	\$239,769	\$239,769
Benefits	\$0	\$33,279,102	\$70,888,015	\$75,486,740
TOTAL Expenditures	<u>\$6,241,207</u>	<u>\$37,279,381</u>	<u>\$75,157,659</u>	<u>\$79,756,384</u>

<u>Funding of Expenditures:</u>				
General Fund (01)	\$4,413,682	\$1,023,371	\$1,023,371	\$1,023,371
State Special Revenue (02)	\$624,458	\$624,458	\$624,458	\$624,458
Federal Special Revenue (03)	\$385,950	\$385,950	\$385,950	\$385,950
MUS Other funds	\$817,117	\$817,117	\$817,117	\$817,117
Enterprise	\$0	\$34,428,485	\$72,306,763	\$76,905,488
TOTAL Funding of Exp.	<u>\$6,241,207</u>	<u>\$37,279,381</u>	<u>\$75,157,659</u>	<u>\$79,756,384</u>

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
MUS Other funds	\$0	\$0	\$0	\$0
Enterprise	\$15,813,139	\$79,065,696	\$79,065,696	\$79,065,696
TOTAL Revenues	<u>\$15,813,139</u>	<u>\$79,065,696</u>	<u>\$79,065,696</u>	<u>\$79,065,696</u>

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$4,413,682)	(\$1,023,371)	(\$1,023,371)	(\$1,023,371)
State Special Revenue (02)	(\$624,458)	(\$624,458)	(\$624,458)	(\$624,458)
Federal Special Revenue (03)	(\$385,950)	(\$385,950)	(\$385,950)	(\$385,950)
MUS Other funds	(\$817,117)	(\$817,117)	(\$817,117)	(\$817,117)

Effect on County or Other Local Revenues or Expenditures:

1. All covered employers and their employees will pay a contribution rate on eligible wages.

<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>
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