REVENUE IMPACT OF PROPOSED LEGISLATION

80th Oregon Legislative Assembly
2019 Regular Session
Legislative Revenue Office

Bill Number:	**HB 2005 A**
Revenue Area:	**Family and Medical Leave Insurance**
Economist:	**Dae Baek**
Date:	**6/18/2019**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Creates a paid family and medical leave (PFML) insurance program to provide eligible employees compensated time off from work for specified purposes. Directs the Oregon Employment Department (OED) to set the contribution rate at up to one percent of gross wages. Allows OED to either administer the program or contract with a third party. Specifies that the contribution be made by employees and employers through payroll deduction. Exempts specified employers from making contribution. Dedicates contributions to the PFML Insurance Fund to pay benefits and administrative expenses, and provide grants to eligible small employers. Caps benefit amounts and establishes minimum benefit payments. Becomes operative on January 1, 2022.

Revenue Impact (in $Millions):

	Biennium		
	2019-21	**2021-23**	**2023-25**
Total Contribution to Family and Medical Leave Insurance Fund	**$0.0**	**$1,571.9**	**$2,246.5**
By Employers (40%; Excludes Exempt Employers)	**$0.0**	**$542.3**	**$775.0**
By Employees (60%)	**$0.0**	**$1,029.6**	**$1,471.5**

Data Source: Oregon Employment Department

Impact Explanation:

The paid family and medical leave (PFML) insurance program in this measure is going to be administered in a manner similar to the state's unemployment insurance program. One important difference is that the contributions to the PFML insurance fund come from both employers and employees, while those to the unemployment trust fund are made only by employers. Contributions to the PFML fund are then used to provide eligible employees compensated time off from work for specified purposes.

According the Oregon Employment Department (OED), the Quarterly Census of Employment and Wages (QCEW) covers approximately 97% of total employment, excluding federal employment. QCEW data forms the basis for the revenue impact analysis. The wages paid by the specified exempt employers are excluded from the calculation of the employer share contribution. The employees of such exempt employers are still required to contribute their share to the PFML insurance fund. The analysis reflects only the contributions to the fund made by employers and employees through payroll deductions, not including specified fees and penalties, and expected interest earnings for the fund.

The impact analysis assumes a one percent contribution rate, the maximum rate allowed within the measure, throughout the analysis horizon. However, the measure allows OED to set contribution rates below one percent, reflecting the specified fund balance needs. The measure requires the fund balance to be enough to pay at least six months of benefits. On top of the contributions to the fund as inflow, the outflow of funds in the form of benefit payments and other costs will also come into play in deciding the adequacy of the fund balance.

Contributions to the fund do not begin until January 1, 2022 when the measure becomes operative. As a result, the revenue impact for the 2021-23 reflects 18 months of the biennium. The contributions are expected to grow around 4% annually, in line with similarly projected nominal wage growth rates that are consistent with the June 2019 Quarterly Economic and Revenue Forecast.

Benefit payments will not start until January 1, 2023 allowing the fund balance to grow. Benefits are capped as specified in the measure but also have floors for minimum payments. As is the case in the unemployment insurance trust fund management, once the PFML fund balance reaches a self-sustaining level, the contribution rate can conceivably come down below the one percent rate assumed in this analysis.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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