# House Bill 3385

Sponsored by Representative BONHAM

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Establishes Oregon Paid Family and Medical Leave Board in Department of Consumer and Business Services. Directs board to develop plan to provide family and medical leave insurance benefits to covered individuals. Requires plan to be financed by employee contributions through payroll deductions at rate determined by board.

Requires employers to collect and remit to fund contributions by employees of employer regardless of size of employer. Permits employer to apply for board approval of employer-offered plan to satisfy requirement.

Requires Director of Department of Business and Consumer Services to establish system for enforcement and appeal of contested cases involving family and medical leave insurance benefit claims.

Requires board to establish plan so that employees can begin contributing to plan no later than January 1, 2021.

Requires board to adopt rules for plan and to report annually to interim committees of Legislative Assembly related to business and workforce.

Requires certain state agencies to collaborate to provide outreach, technical assistance or compliance services to board.

Establishes Paid Family and Medical Leave Insurance Fund as trust fund to be used only for specific purposes. Requires moneys collected as contributions to plan from eligible employees to be deposited in fund. Continuously appropriates moneys in fund to department to be used for carrying out duties of board and paying family and medical leave insurance benefits to eligible employees.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

2 Relating to family medical leave benefits; creating new provisions; amending ORS 657.100 and 3

659A.153; and declaring an emergency.

Be It Enacted by the People of the State of Oregon: 4

SECTION 1. Definitions. As used in sections 1 to 17 of this 2019 Act: 5

6 (1) "Average weekly wage" means the amount calculated by the Employment Department

- as the state average weekly covered wage under ORS 657.150 (4)(d) as determined not more 7
- 8 than once per year.

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(2) "Base year" means the first four of the last five completed calendar quarters pre-9 10 ceding the benefit year.

(3) "Benefit year" means the 12-month period beginning on the first day of the week in 11 which a covered individual's period of family leave or medical leave commences. 12

(4) "Covered individual" means any of the following who receives paid family and medical 13 14 leave insurance benefits:

15(a) An eligible employee; or

(b) An unemployed individual who is not receiving unemployment insurance benefits un-16 17 der ORS chapter 657.

18 (5) "Eligible employee" means an employee who has worked at least 820 hours for any 19 employer in this state during the base year.

20 (6) "Eligible employee's average wage" means an amount determined by the Director of

the Department of Consumer and Business Services on the basis of an eligible employee's 1 2 average wages per week during the base year. (7)(a) "Employee" means an individual employed for remuneration or under any contract 3 of hire, written or oral, express or implied, by an employer. 4  $\mathbf{5}$ (b) "Employee" does not include: (A) An independent contractor as defined in ORS 670.600. 6 (B) A participant in a work training program administered under a state or federal as-7 sistance program. 8 9 (C) A participant in a work-study program that provides students in secondary or postsecondary educational institutions with employment opportunities for financial assist-10 ance or vocational training. 11 12(D) A railroad worker exempted under the federal Railroad Unemployment Insurance 13 Act. (E) A volunteer. 14 15 (8)(a) "Employer" means any person that employs one or more employees working anywhere in this state, a political subdivision of the state or any county, city, district, authority, 16 public corporation or entity, or any instrumentality of a county, city, district, authority, 17 18 public corporation or entity, organized and existing under law or charter. 19 (b) "Employer" does not include the federal government or a tribal government. 20 (9) "Family and medical leave insurance benefits" means the insurance benefits provided under the terms of a plan developed under section 3 or 6 of this 2019 Act. 21 22(10) "Family leave" means leave taken by an employee from work: 23(a) To care for and bond with an infant or a newly adopted child or newly placed foster child under 18 years of age, during the first year after the infant's birth or the child's 94 adoption or placement. 25(b) To care for a family member with a serious health condition. 2627(c) For military family leave described under ORS 659A.090 to 659A.099. (11) "Family member" has the meaning given that term in ORS 659A.150. 28(12) "Medical leave" means a period of leave taken by an employee from work because 2930 the employee is unable to perform work due to a serious health condition. 31 (13) "Serious health condition" has the meaning given that term in ORS 659A.150. SECTION 2. Oregon Paid Family and Medical Leave Board. (1) The Oregon Paid Family 32and Medical Leave Board is established in the Department of Consumer and Business Ser-33 34 vices. The board consists of nine members as follows: (a) The Director of the Department of Consumer and Business Services or the designee 35of the director. 36 37 (b) The following members appointed by the Governor: 38 (A) A representative of employers that employ 100 or more employees. (B) A representative of employers that employ fewer than 10 employees. 39 (C) A representative of employees. 40 (D) A representative from the field of private insurance who has expertise in absence 41 management, including expertise assessing employee productivity and absenteeism. 42 (E) A representative from the field of private insurance who has expertise in disability 43 insurance. 44 (F) A member of the public. 45

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(c) A member of the Senate appointed by the President of the Senate to be a nonvoting 1 2 advisory member of the board. (d) A member of the House of Representatives appointed by the Speaker of the House of 3 Representatives to be a nonvoting advisory member of the board. 4 (2) Members of the board appointed by the Governor must be confirmed by the Senate 5 in the manner prescribed in ORS 171.562 and 171.565. 6 (3) The term of office of each member of the board appointed by the Governor is four 7 years, but a member appointed by the Governor serves at the pleasure of the Governor and 8 9 is eligible for reappointment. If there is a vacancy for any cause, the Governor shall make an appointment to become immediately effective for the unexpired term. 10 (4) Each legislative member serves at the pleasure of the appointing authority and may 11 12 serve as long as the member remains in the chamber of the Legislative Assembly from which 13 the member was appointed. (5) The director or the designee appointed to the board under subsection (1) of this sec-14 15 tion shall serve as chairperson of the board. 16 (6) A majority of the voting members of the board constitutes a quorum for the transaction of business. 17 18 (7) The department shall provide staff support to the board. SECTION 3. Powers and duties of the Oregon Paid Family and Medical Leave Board. (1) 19 The Oregon Paid Family and Medical Leave Board shall: 20(a) Develop an employee-financed paid family and medical leave plan that uses existing 2122insurance products that are available in the insurance marketplace to provide family and 23medical leave insurance benefits that are payable as a percentage of an eligible employee's average wage provided that the employee: 24 25(A) Files an application for family and medical leave insurance benefits; and (B) Contributes an amount determined by the Oregon Paid Family and Medical Leave 2627Board to the Paid Family and Medical Leave Insurance Fund established under section 10 of this 2019 Act during the base year prior to filing an application. 28(b) Conduct a labor market, cost-benefit and legal analysis of the plan. 2930 (2) The board shall have the following powers: 31 (a) To establish, implement and maintain the plan developed under this section. (b) To adopt rules for the general administration of the plan. 32(c) To collect application, account or administrative fees to defray the costs of adminis-33 34 tering the plan. 35(d) To make and enter into contracts, agreements or arrangements, and to retain, employ and contract for, any of the following considered necessary or desirable for carrying out 36 37 the purposes set forth in sections 1 to 17 of this 2019 Act: 38 (A) Insurance products that have diverse risk pooling requirements. (B) Services of private and public financial institutions, depositories, consultants and 39 third-party plan administrators. 40 (C) Research, technical and other services. 41 (D) Services of other state agencies to assist the board in its duties. 42 (e) To evaluate the need for, and procure as needed, pooled, private insurance of the plan. 43 (f) To establish the initial rate at which an eligible employee shall contribute to the plan 44 to finance the costs of paying family and medical leave insurance benefits, provided that the 45

1 rate does not exceed 0.4 percent of the employee's wages.

(g) To establish the amount of family and medical leave insurance benefits that an eligible employee qualifies for based on the amount of wages earned by the eligible employee
during the base year that are equal to or less than a percentage, determined by the board,
of the average weekly wage.

6 (h) To review on an annual basis the amount of contributions collected from eligible 7 employees and calculate an adjustment to the rate at which an employee contributes to the 8 plan based on:

9 (A) The amount of an eligible employee's average wage that is equal to or less than an 10 amount determined by the board; or

(B) An increase, if any, in the Consumer Price Index for All Urban Consumers, West
 Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor.

(i) To develop and implement an outreach plan to gain input and disseminate information
 regarding the plan in general.

SECTION 4. Requirements for the Oregon Paid Family and Medical Leave Plan. Except
 as otherwise provided under section 6 of this 2019 Act, the plan developed by the Oregon Paid
 Family and Medical Leave Board under section 3 of this 2019 Act must:

(1) Require an eligible employee to contribute to the Paid Family and Medical Leave In surance Fund established under section 10 of this 2019 Act through payroll deductions at a
 rate determined by the board under section 3 of this 2019 Act.

(2) Require employers, regardless of the number of employees employed by the employer,
 to collect employee contributions to the plan as payroll deductions to be deposited in the Paid
 Family and Medical Leave Insurance Fund established under section 10 of this 2019 Act.

25 (3) Provide for automatic enrollment of eligible employees in the plan.

26 (4) Whenever possible, use existing employer and public infrastructure to facilitate con-27 tributions to the plan, recordkeeping and outreach.

28 (5) Permit but may not require employer contributions to the plan.

(6) Require the maintenance of separate records and accounting for each eligible em ployee who qualifies for family and medical leave insurance benefits under the plan.

(7) Provide family and medical leave insurance benefits that are payable to a covered in dividual who:

33 (a) Takes family leave; or

34 (b) Takes medical leave.

35 (8) Permit a covered individual to qualify for family and medical leave benefits for up to:

36 (a) Six weeks of medical leave; and

37 (b) Twelve weeks of family leave.

(9) Provide family and medical leave insurance benefits for leave that is taken by a cov ered individual in increments that are equivalent to the regular scheduled work shift that
 an employer requires the individual to work.

(10) Require that the first payment of benefits must be made to a covered individual
within two weeks after the individual commences leave and that subsequent payments must
be made every two weeks.

(11) Except as provided in subsection (7) of this section, prohibit an employer from re quiring a covered individual to take more leave than the covered individual requests.

1 (12) Allow a covered individual to take less leave than is available to the individual under 2 the plan.

(13) Permit an eligible employee who changes jobs to retain the employee's status as an
eligible employee and retain any family and medical leave insurance benefits accrued by the
employee as long as the employee is not employed by an employer outside this state.

6 <u>SECTION 5.</u> <u>Rules for the Oregon Paid Family and Medical Leave Plan.</u> Not later than 7 September 1, 2020, the Oregon Paid Family and Medical Leave Board shall adopt rules that: 8 (1) Establish the process for automatic enrollment of eligible employees in the plan de-

9 veloped under section 3 of this 2019 Act.

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(2) Establish the process by which employers shall withhold employee contributions to
 the plan developed under section 3 of this 2019 Act as payroll deductions and remit the con tributions to the Paid Family and Medical Leave Insurance Fund established under section
 10 of this 2019 Act.

(3) Establish the process for an eligible employee to receive family and medical leave in surance benefits under the plan developed under section 3 of this 2019 Act.

(4) Require employers that employ 25 or more employees to:

(a) Restore an eligible employee who has returned to work to the position of employment
held by the employee when the employee's leave commenced if that position still exists,
without regard to whether the employer filled the position with a replacement worker during
the period of leave taken pursuant to the plan developed under section 3 of this 2019 Act; or

(b) Restore the eligible employee to any available equivalent position with equivalent
employment benefits, pay and other terms and conditions of employment, if the position held
by the employee at the time the leave commenced no longer exists.

(5) Require an employer to maintain, for the duration of a period of family leave or medical leave, any health care benefits to which an eligible employee was entitled prior to taking such leave, as if the employee had continued in employment continuously from the date the employee commenced the leave until the date the family and medical leave insurance benefits terminate.

(6) Prohibit retaliation or discrimination against an individual with respect to hire or
 tenure or any other term or condition of employment because the individual has inquired
 about family or medical leave benefits or filed an application for benefits.

(7) Establish penalties for the payment or overpayment of family and medical leave in surance benefits as a result of fraud, misrepresentation or willful nondisclosure on the part
 of an employee.

(8) Establish a process for employers to apply for approval of an employer-offered plan
 described under section 6 of this 2019 Act.

37 <u>SECTION 6.</u> Equivalent employer plans. (1) An employer may apply to the Oregon Paid 38 Family and Medical Leave Board for approval of an employer-offered plan that provides 39 family and medical leave insurance benefits to eligible employees. An employer shall apply 40 for approval in the manner prescribed by the board by rule.

41 (2) The board shall approve an employer plan that meets all of the following require-42 ments:

(a) The plan is made available to all eligible employees who are employed by the employer.
(b) The benefits afforded to the employees who are covered under the employer plan are
equal to or greater than the amount of benefits, including duration of leave, that an eligible

employee would qualify for under the family and medical leave plan developed by the board
 under section 3 of this 2019 Act.

3 (c) The plan requires employers that employ 25 or more employees to restore an em-4 ployee who takes family leave or medical leave to the position of employment held by the 5 employee when the employee's leave commenced, if that position still exists, or if the posi-6 tion no longer exists, to restore the employee to any available equivalent position with 7 equivalent employment benefits, pay and other terms and conditions of employment.

8 (d) The plan requires the employer to maintain, for the duration of a period of family 9 leave or medical leave, any health care benefits to which an eligible employee was entitled 10 prior to taking such leave, as if the employee had continued in employment continuously 11 from the date the employee commenced the leave until the date the family and medical leave 12 insurance benefits terminate.

(3) An employer may assume all or a part of the cost of a plan approved under this sec tion.

(4) An employer may deduct employee contributions from the wages of an eligible employee to finance the costs of the plan, provided that the contribution amounts do not exceed the contribution amount the eligible employee would pay under the plan developed under section 3 of this 2019 Act.

(5) An employer that offers a plan that has been approved by the board under this section
 shall be deemed to have satisfied the requirements under section 4 of this 2019 Act.

(6) At any time that an eligible employee separates employment with an employer that
 offers a plan under this section, the employee is automatically considered to be enrolled in
 the plan developed under section 3 of this 2019 Act.

24 <u>SECTION 7.</u> Enforcement and confidentiality. (1) Notwithstanding ORS 183.635, the Di-25 rector of the Department of Consumer and Business Services shall establish a system for 26 enforcement and appeal of contested cases involving family and medical leave insurance 27 benefit claims under ORS chapter 183. In establishing the system, the director may utilize 28 any and all procedures and appeals mechanisms.

(2) The director shall implement procedures to ensure confidentiality of all information
 related to any claims filed or appeals taken to the maximum extent permitted by applicable
 laws.

(3) All information in the records of the Department of Consumer and Business Services
 pertaining to the administration of sections 1 to 17 of this 2019 Act:

(a) Is confidential and for the exclusive use and information of the director in adminis tering sections 1 to 17 of this 2019 Act;

(b) May not be used in any court action or in any proceeding pending in the court unless
the director or the State of Oregon is a party to the action or proceeding or unless the action
or proceeding concerns the establishment, enforcement or modification of a support obligation and support services are being provided by the Division of Child Support of the Department of Justice or the district attorney pursuant to ORS 25.080; and

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(c) Is exempt from disclosure under ORS 192.311 to 192.478.

(4) At the discretion of the director and subject to an interagency agreement, the director may disclose information to a public official in the performance of the public official's official duties administering or enforcing laws within the public official's authority and to an agent or contractor of a public official. The public official shall agree to assume response

1 sibility for misuse of the information by the public official's agent or contractor.

2 (5) At the discretion of the director, the director may disclose information to a contrac-

3 tor pursuant to a contract for actuarial services. The contractor may disclose the informa-4 tion to an agent of the contractor and shall agree to assume responsibility for misuse of the 5 information by the agent of the contractor.

6 <u>SECTION 8.</u> Coordination of leave. Family or medical leave taken under sections 1 to 17 7 of this 2019 Act must be taken concurrently with any leave that may be taken by an em-8 ployee who is eligible for leave under ORS 659A.150 to 659A.186 or under the federal Family 9 and Medical Leave Act of 1993 (P.L. 103-3) for the same or similar purposes.

10 <u>SECTION 9.</u> Collective bargaining agreements. (1) Sections 1 to 17 of this 2019 Act do not 11 diminish an employer's obligation to comply with a collective bargaining agreement, an em-12 ployer policy or local, state or federal law.

(2) An eligible employee's right to family and medical leave insurance benefits under
 sections 1 to 17 of this 2019 Act may not be waived in or diminished by a collective bargaining
 agreement entered into or renewed, or an employee policy adopted or retained, after the effective date of this 2019 Act.

(3) Nothing in sections 1 to 17 of this 2019 Act requires the reopening or renegotiation
of a collective bargaining agreement, prior to the date of expiration of the collective bargaining agreement, entered into before the effective date of this 2019 Act.

20 <u>SECTION 10.</u> Paid Family and Medical Leave Insurance Fund. (1) The Paid Family and 21 Medical Leave Insurance Fund is established in the State Treasury, separate and distinct 22 from the General Fund. The Paid Family and Medical Leave Insurance Fund is declared to 23 be a trust fund for the uses and purposes set forth in sections 1 to 17 of this 2019 Act.

(2) The fund consists of moneys deposited in the fund from employee contributions in the
 manner prescribed by the Oregon Paid Family and Medical Leave Board pursuant to section
 3 of this 2019 Act and may include fees, revenue or other income deposited in the fund.

(3)(a) The fund shall be used solely in the payment of benefits under sections 1 to 17 of
this 2019 Act and the payment of administrative costs and expenses that the Oregon Paid
Family and Medical Leave Board incurs in carrying out the duties of the board under
sections 1 to 17 of this 2019 Act.

(b) The benefits shall be payable from the fund only to the extent that the contributions
 and moneys collected are available.

(4) Interest earned by the fund shall be credited to the fund. All moneys in the fund are
 continuously appropriated to the Department of Consumer and Business Services for the
 purposes of carrying out the duties of the board under sections 1 to 17 of this 2019 Act.

36 SECTION 11. Prerequisites to establishment of Oregon Paid Family and Medical Leave
 37 Plan. Before establishing a plan developed under section 3 of this 2019 Act, the Oregon Paid
 38 Family and Medical Leave Board shall:

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(1) Conduct a labor market, cost-benefit and legal analysis to determine:

40 (a) The feasibility of the plan.

(b) Whether and to what extent plans with the characteristics described in section 4 of
 this 2019 Act currently exist in the private market.

- 43 (2) Perform an actuarial analysis of the plan.

44 <u>SECTION 12.</u> <u>Annual reports.</u> The Oregon Paid Family and Medical Leave Board shall 45 report in each calendar year to the interim committees of the Legislative Assembly related

to business and workforce detailing the board's progress and activities. 1 2 SECTION 13. Preemption. Sections 1 to 17 of this 2019 Act supersede and preempt any rule, regulation, code or ordinance of any unit of a local government, as defined in ORS 3 174.116, relating to paid family and medical leave. 4 SECTION 14. State agencies to assist with outreach, technical assistance and compliance 5 services. The Secretary of State, the Department of Revenue, the Employment Department, 6 the Bureau of Labor and Industries and any other agency that enters into an intergovern-7 mental agreement with the Oregon Paid Family and Medical Leave Board to provide out-8 9 reach, technical assistance or compliance services shall collaborate to provide the outreach, technical assistance or compliance services to the board. 10 SECTION 15. The Oregon Paid Family and Medical Leave Board shall report to a com-11 12mittee or interim committee of the Legislative Assembly related to business and workforce on or before February 15, 2020. The report must include: 13 (1) The results of the analyses conducted by the board under sections 3 and 11 of this 2019 14 15 Act. 16 (2) An analysis of potential costs to employers associated with providing automatic pay-17 roll deductions for participation in the plan developed under section 3 of this 2019 Act, and 18 recommendations on how to eliminate or reduce those costs through incentives, tax credits or other means. 19 (3) A timeline for developing and establishing the plan developed under section 3 of this 202019 Act, providing that eligible employees may begin making contributions as required under 2122section 16 of this 2019 Act. 23(4) An overview of any contracts entered into by the board in the performance of its duties. 24 SECTION 16. The Oregon Paid Family and Medical Leave Board shall establish the paid 25family and medical leave plan developed under section 3 of this 2019 Act such that eligible 2627employees may begin making contributions as payroll deductions to the plan no later than January 1, 2021. 28SECTION 17. Timeline of initial appointments to board. (1) The Governor, the President 2930 of the Senate and the Speaker of the House of Representatives shall first make appointments 31 to the Oregon Paid Family and Medical Leave Board for terms of office beginning on December 31, 2019. 32(2) Notwithstanding the term of office specified in section 2 of this 2019 Act, of the 33 34 members first appointed to the board by the Governor: (a) Two shall serve for a term ending August 31, 2021. 35(b) Two shall serve for a term ending August 31, 2022. 36 37 (c) Two shall serve for a term ending August 31, 2023. SECTION 18. Section 19 of this 2019 Act is added to and made a part of ORS 657.115 to 38 657.140. 39 SECTION 19. Wages; exclusion of payment to replacement employees. As used in ORS 40 657.105, "wages" includes the amount of any payment made to an individual who was hired 41 to temporarily fill the position of a permanent employee who is taking leave and who is re-42 ceiving family and medical leave insurance benefits under sections 1 to 17 of this 2019 Act. 43 SECTION 20. ORS 659A.153 is amended to read: 44 659A.153. (1) The requirements of ORS 659A.150 to 659A.186 apply [only] to employers who em-45

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ploy [25] one or more persons in the State of Oregon for each working day during each of 20 or
more calendar workweeks in the year in which the leave is to be taken or in the year immediately
preceding the year in which the leave is to be taken.

4 (2) The requirements of ORS 659A.150 to 659A.186 do not apply to any employer who offers to 5 an eligible employee a nondiscriminatory cafeteria plan, as defined by section 125 of the Internal 6 Revenue Code of 1986, providing, as one of its options, employee leave at least as generous as the 7 leave required by ORS 659A.150 to 659A.186.

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SECTION 21. ORS 657.100 is amended to read:

9 657.100. (1) An individual is deemed "unemployed" in any week during which the individual 10 performs no services and with respect to which no remuneration for services performed is paid or 11 payable to the individual, or in any week of less than full-time work if the remuneration paid or 12 payable to the individual for services performed during the week is less than the individual's weekly 13 benefit amount.

(2) For the purposes of ORS 657.155 (1), an individual who performs full-time services in any week for an employing unit is not unemployed even though remuneration is neither paid nor payable to the individual for the services performed; however, nothing in this subsection shall prevent an individual from meeting the definition of "unemployed" as used in this section solely by reason of the individual's performance of volunteer services without remuneration for a charitable institution or a governmental entity.

(3) An individual may not be deemed "unemployed" under this section for any week in
which the individual is receiving family and medical leave insurance benefits under section
1 of this 2019 Act.

[(3)] (4) The Director of the Employment Department shall prescribe rules as the director deems
 necessary with respect to the various types of unemployment.

25 <u>SECTION 22.</u> Section captions. The section captions used in this 2019 Act are provided 26 only for the convenience of the reader and do not become part of the statutory law of this 27 state or express any legislative intent in the enactment of this 2019 Act.

28 <u>SECTION 23.</u> Federal severability. If any part of the plan developed under section 3 of 29 this 2019 Act is found to be in conflict with federal requirements that are a prescribed con-30 dition to the allocation of federal funds to the state or the eligibility of employers in this 31 state for federal unemployment tax credits, the conflicting part of the plan is inoperative 32 solely to the extent of the conflict.

33 <u>SECTION 24. Effective date.</u> This 2019 Act being necessary for the immediate preserva 34 tion of the public peace, health and safety, an emergency is declared to exist, and this 2019
 35 Act takes effect on its passage.

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