Paid Family & Medical Leave Task Force Report

REPORT TO LEGISLATIVE FINANCE COMMITTEE

NOVEMBER 17, 2022

Paid Family and Medical Leave in a nutshell

- What is it for?
  - Bonding with a new child
  - Caring for a family member with a serious medical condition
  - An employee's own serious medical condition
  - Exigencies arising out of family member being on active-duty military service* (8 states)
  - Leave necessary due to domestic violence, sexual assault, or stalking* (4 states)
  - Bereavement* (1 state)

- What does it do?
  - Provides a percentage of income to employees while they're on PFMLA leave

- How do you pay for it?
  - Employee and employer contributions
  - Held in a trust fund administered through the Department of Workforce Solutions

- Programs have been enacted in 11 states and the District of Columbia.

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Economic Impacts

- Improved workforce participation for parents, unpaid family caregivers, and individuals with chronic health conditions

- Improved employee recruitment, retention, morale, and productivity

- A state-administered program allows small businesses to provide this benefit that large corporations and government entities offer, improving their ability to compete for employees

- Greater overall economic resilience to withstand disruptions like those experienced in COVID
  - States with PFML programs were able to respond more quickly to COVID, allowing people to abide by public health orders without overwhelming the states' UI systems
  - Those who were unemployed or working reduced hours in late 2021 reported that they would return to full employment more quickly if they had access to PFML

Impacts on Healthcare and Social Service Utilization

- Access to paid leave postpartum is associated with:
  - reduced utilization of public assistance and SNAP benefits
  - decreases in child abuse hospitalizations and domestic violence incidents
  - Improved breastfeeding rates, vaccination rates, and improved parental mental health

- Workers with job protected leave stay on their employer's health insurance program, reducing Medicaid utilization.

- Family caregiving decreases length of hospital stays, emergency room usage, and nursing home utilization among elders.

- When they can take leave and treat medical conditions earlier in a disease progression, workers are less likely to leave the workforce due to permanent disability.

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2022 PFML Task Force

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Task Force Composition

- 17 of 19 Task Force slots were filled through a call for application process
    - 7 advocacy organizations
    - 2 labor unions
    - 5 chambers of commerce
    - 1 small business owner
    - Acequia Association
    - UNM Bureau of Business and Economic Research
    - Despite repeated outreach by NMDWS, SWLC, and Kesselman-Jones, we were unable to identify representatives for the African American Chamber of Commerce & Tribal Government

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Task Force Meetings

Task Force met for a total of approximately 12 hours via Zoom, focused on areas of concern raised in Committee hearings in past sessions and administrative costs and economic modeling.

- June 24 - Organizing meeting

- July 18 – Definitions

- August 3 – Request Process & Communications

- August 16 – Economic Modeling

- August 31 – Administration

- September 12 – Final Recommendations

All meetings after the organizing meeting were announced publicly and open to public participation. Videos are available through the NMDWS website.
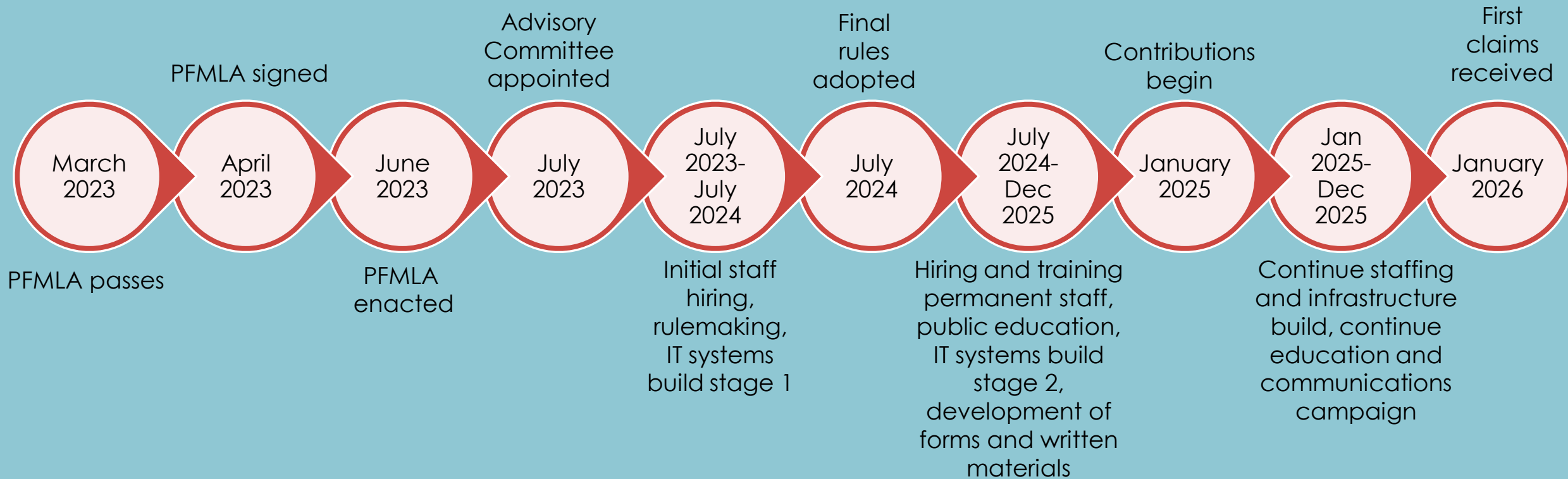
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Task Force Decision-making

- The Task Force used 2021 HB38 as amended as the starting point for bill discussions. Task Force decisions were crafted as recommended revisions to that version of the bill.

- To the extent possible, we sought to achieve consensus, defined as 80% concurrence or neutrality.

- Areas with broad consensus were set aside to focus on other areas.

- On areas without broad consensus, a draft recommendation was prepared and distributed to the Task Force members prior to the September 12 meeting on final recommendations.

- An online survey was prepared with each of those draft recommendations, and members were asked to vote – "agree, neutral, disagree" on those issues.

Key Recommendations

- Include additional causes for leave:
  - Bereavement following the loss of a child
  - Leave necessary due to domestic violence, sexual assault, or stalking

- Include minimum increments of leave of four hours

- Include a solvency adjustment formula that includes benefits paid in the prior fiscal year, administration costs in the prior fiscal year, and net assets remaining in the fund

- Include a provision waiving the employer contribution for businesses with fewer than five employees and the equivalent of the employer contribution for self-employed individuals. (This covers nearly 66% of businesses.)

- Set a minimum of 90 days of employment before requiring job protection during leave

- Extend Implementation Timeline to allow time for education, employer support, and training
  - First contributions - January 1, 2025
  - First disbursements - January 1, 2026

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Implementation Timeline

	PFMLA signed		Advisory Committee appointed		Final rules adopted		Contributions begin		First claims received
March 2023	April 2023	June 2023	July 2023	July 2023-July 2024	July 2024	July 2024-Dec 2025	January 2025	Jan 2025-Dec 2025	January 2026
PFMLA passes		PFMLA enacted		Initial staff hiring, rulemaking, IT systems build stage 1		Hiring and training permanent staff, public education, IT systems build stage 2, development of forms and written materials		Continue staffing and infrastructure build, continue education and communications campaign	

Year 1 Implementation costs

- NMDWS estimates FY2024 appropriations requirements of $36.5 million

- Rulemaking, assessment, RFP

- IT system development

- Operations build

- Facilities and infrastructure build

Initial Estimated Project Costs	
Planning Activities: Rulemaking, Assessments & RFP Process	$1,500,000.00
IT Systems PFML Build	$32,000,000.00
Operations PFML Build	$1,500,000.00
Facilities & Infrastructure Build	$1,500,000.00
TOTAL	$36,500,000.00

Year One Staffing Cost Breakdown	
Program Officer	$150,000.00
Project Manager	$115,000.00
Admin Person	$70,000.00
Actuary	$150,000.00
Policy Analyst (2)	$190,000.00
Legal Consultant	$140,000.00
Contract Support	$575,000.00
Travel	$25,000.00
Supplies including IT set up	$60,000.00
Facilities	$25,000.00
TOTAL	$1,500,000.00

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Year 2 Implementation costs

- NMDWS estimates FY2025 appropriations requirements of $45 million

- Hiring permanent staff

- Staff training

- Employer & employee education

- Completion of IT build

- Development of forms and written materials

- Communications campaign

- Collection of contributions begins

Labor Category	FTE
Division Director	1
Division Management	3
Supervisors	10
Business Analyst/Testers	10
Customer Service Agent – Specialist	9
Customer Service Agent – Advanced	20
Customer Service Agent – Basic	40
Customer Service Agent – Operational	60
Tax Specialists	13
Quality Control	4
Collections Specialist	4
Adjudication Law Judges	13
Administrative Support	6
Attorney	4
Paralegal	2
Policy Analyst	2
Trainer	2
Public Relations Coordinator (PB65)	2
Economist	2
Financial Coordinator	2
Accountant & Auditor	1
State Investigator	6
TOTAL ESTIMATED FULL-TIME EQUIVALENT (FTE)	**216**

Permanent Staffing Model Estimate

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Modeling - Economic Considerations

- Premium on Wages payed by Employer 0.4%

- Premium on Wages payed by Employee 0.5%

- 6 months to contribute

- Max time 12 weeks, Duration for Model 100%

- Max pay out is for $60,000

- Initial Fixed Costs Estimate, Amortization over 7 years.

- 2020 Base year Initial Claims 35,000. Population Births & Disability Claims.

- FORUNM - Employment projection applied moving forward.

- UNM GPS - Population estimate applied moving forward.

- Inflation projections applied to wages and administrative costs

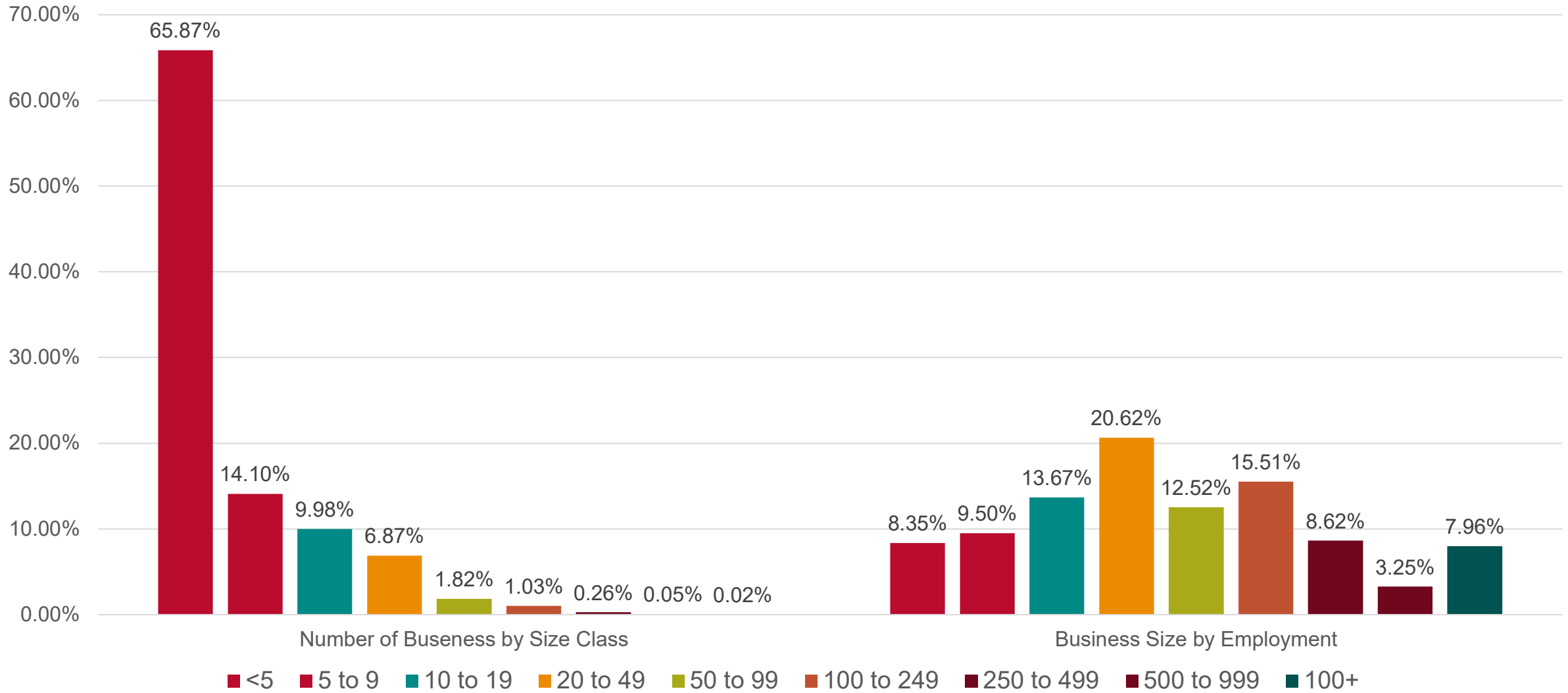| NM Population		Updated						
2000	1,821,204		Average History % Chg	Inflation	Updated		ADJINC Factor	CPI-U
2001	1,831,690	0.58%	0.73%		New Mexico Total Wage & Salary Disb		1	
2002	1,855,309	1.29%		2019	1.8%		2.8%	1.8
2003	1,877,574	1.20%		2020	1.3%		1.013	1.3
2004	1,903,808	1.40%		2021	4.7%		1.047	4.7
2005	1,932,274	1.50%		2022	6.7%	IHS formely Global Insight	1.067	6.7 Mo
2006	1,962,137	1.55%		2023	5.5%	FORUNM	1.055	6.5
2007	1,990,070	1.42%		2024	2.6%		1.026	2.6
2008	2,010,662	1.03%		2025	1.5%		1.015	1.5
2009	2,036,802	1.30%		2026	2.1%		1.021	2.1
2010	2,064,552	1.36%		2027	2.2%		1.022	2.2
2011	2,080,450	0.77%		2028				
2012	2,087,309	0.33%		2029				
2013	2,092,273	0.24%		2030				
2014	2,089,568	-0.13%	Comment:					
2015	2,089,291	-0.01%	IRS Table 2 - Individual Income and Tax Data by State, 2018, Line 30 Amount Salaries and wages in AGI				Updated	
2016	2,091,630	0.11%		Wages	IRS Wages		Wage Growth Foreca	QCEW
2017	2,091,784	0.01%		2018	34,686,083		5.0%	37,143,471,078
2018	2,092,741	0.05%		2019	36,872,187		6.3%	39,350,857,379
2019	2,096,829	0.20%	GPS projections GPS Ann %chg	2020	37,808,741		2.5%	39,384,777,287
2020	2,117,566	0.99%	2,106,981 0.074%	2021	38,753,959		2.5%	
2021	2,115,877	0.12%	Decided to remove the -	2022	40,071,594		3.4%	
2022	2,118,416	0.12%		2023	41,474,099		3.5%	
2023	2,120,958	0.12%		2024	42,967,167		3.6%	
2024	2,123,503	0.12%		2025	44,556,952		3.7%	
2025	2,126,052	0.12%	2,125,258	2026	46,250,116		3.8%	
2026	2,128,603	0.12%	0.87%	2027	48,007,621		3.8%	
2027	2,131,157	0.12%		2028				
2028	2,133,714	0.12%		2029				
2029	2,136,275	0.12%		2030				
2030	2,138,838	0.12%	2,136,414					

What the Fund Looks like

Summary Paid Family Leave Estimates Revised 1/24/2022
Based on 2020 U.S. Census American Community Survey 1-Year PUMS Experimental

	Estimated 2023		Estimated 2024		Estimated 2025		Estimated 2026
Eligible Workers (Weeks based)		846,469		859,234		871,247	883,184
Eligible Claims by Workers		35,126		35,168		35,211	35,253
Average Weekly Payout	$	819	$	840	$	853	$ 871
Admin cost per employee	$	69.62	$	70.37	$	70.44	$ 70.94
Admin cost per claim	$	1,677.66	$	1,719.21	$	1,742.91	$ 1,777.38
Employer average premium per employee	$	247.03	$	253.45	$	257.25	$ 262.65
Cost paid family leave	$	345,172,718	$	354,572,185	$	360,322,637	$ 368,330,880
Administrative Cost	$	58,929,610	$	60,461,780	$	61,368,706	$ 62,657,449
Amortization of Fixed Costs DWS	$	8,152,373	$	8,152,373	$	8,152,373	$ 8,152,373
Total Est. Cost	$	**412,254,701**	$	**423,186,338**	$	**429,843,716**	$ **439,140,702**
Total Est. Collections	$	427,896,529	$	451,430,838	$	463,168,040	$ 470,115,560
Balance[1]	$	**15,641,828**	$	**28,244,500**	$	**33,324,323**	$ **30,974,858**
Total Wages Paid	$	49,515,283,291	$	50,802,680,657	$	51,564,720,866	$ 52,647,580,005

New Mexico Business Size Class 2021*

*Data are preliminary
Source: NMDWS Quarterly Census of Employment and Wages program

BUREAU OF BUSINESS & ECONOMIC RESEARCH

Model - different levels business size

100% duration and exclusion of 5<			
Total Est. Cost	$ 412,254,701	$ 423,186,338	$ 429,843,716	$ 439,140,702
Total Est. Collections	$ 412,110,752	$ 435,162,551	$ 446,411,027	$ 452,826,580
Balance[1]	$ (143,949)	$ 11,976,213	$ 16,567,311	$ 13,685,878

90% duration (10.8 weeks) and exclusion of 5<			
Total Est. Cost	$ 377,737,429	$ 387,729,119	$ 393,811,453	$ 402,307,614
Total Est. Collections	$ 412,110,752	$ 435,162,551	$ 446,411,027	$ 452,826,580
Balance[1]	$ 34,373,323	$ 47,433,432	$ 52,599,574	$ 50,518,966

90% duration and exclusion of 10<			
Total Est. Cost	$ 377,737,429	$ 387,729,119	$ 393,811,453	$ 402,307,614
Total Est. Collections	$ 394,150,886	$ 416,653,722	$ 427,346,162	$ 433,156,482
Balance[1]	$ 16,413,457	$ 28,924,603	$ 33,534,710	$ 30,848,869

90% duration and exclusions 20<			
Total Est. Cost	$ 377,737,429	$ 387,729,119	$ 393,811,453	$ 402,307,614
Total Est. Collections	$ 368,213,058	$ 389,923,077	$ 399,812,484	$ 404,748,721
Balance[1]	$ (9,524,371)	$ 2,193,957	$ 6,001,032	$ 2,441,107

80% (9.6 weeks) duration and exclusion 20<			
Total Est. Cost	$ 343,220,157	$ 352,271,901	$ 357,779,189	$ 365,474,526
Total Est. Collections	$ 368,213,058	$ 389,923,077	$ 399,812,484	$ 404,748,721
Balance[1]	$ 24,992,901	$ 37,651,176	$ 42,033,295	$ 39,274,195

Note: Washington average duration 7.5 weeks for 2021.

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