

Proposed Recommendation C (Charlie)

Legislative Task Force on Paid Family and Medical Leave Insurance Premiums

Task Force Members

Senators Keiser and Robinson, Representatives Berry and Walen, Samantha Grad, Maggie Humphreys, Joe Kendo, Marilyn Watkins

Proposed Recommendations

Prepared by proposal submitters

At the end of the current biennium, use whatever remains of the \$350 million allocated to the paid family and medical leave program as seed money for a 'reserve' in the paid family and medical leave fund. Thus, the remaining amount will be in the fund prior to calculating the 2024 rate using the new formula below.

Modify the rate formula in RCW 50A.10.030 (6) to be 140% of previous year disbursements (benefits + admin costs), subtracted by the fund balance, and divided by prior fiscal year taxable wages. Round to four decimal places. Next, round up to set the rate at two decimal places (so 0.7489% becomes 0.75%).

Modify the solvency surcharge in RCW 50A.10.030 (7) to remove a specific trigger, give permissive authority, and look at fiscal years instead of calendar years. The new subsection will read:

The commissioner may assess a solvency surcharge at the lowest rate necessary to provide revenue to pay for the administrative and benefit costs of family and medical leave, for the fiscal year, as determined by the commissioner. The solvency surcharge shall be at least one-tenth of one percent and no more than six-tenths of one percent and be added to the total premium rate for family and medical leave benefits.

Description/Reasoning/Other Background

Prepared by proposal submitters

In 2021, the PFML rate calculation formula indicated no rate increase was necessary, despite the fund paying significantly more in benefits than it took in for premiums. The rate formula indicated a modest increase in 2022 was needed, but still has raised enough funds necessary to pay benefits.

The submitters believe the current rate setting formula that uses an ending fund balance on a specific day, rather than incorporating overall usage of the program is not supporting solvency and would like to see how a model similar to the one used in the actuarial report would have impacted rates based on historical data and program usage.

The submitters would also like to test a three-month reserve to see if that would have been sufficient to support fund solvency, based on benefit usage of the program.

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Fiscal Analysis

Prepared by Employment Security Department (ESD) and non-partisan legislative staff

Proposed Recommendation C (Charlie) includes a net fund transfer of \$350 million (General Fund-State) into the Family and Medical Leave Insurance Account. Section 723 of ESSB 5693 (2022) allows for up to \$350 million to be transferred into the Account at the end of the 2021-23 fiscal biennium to cover any cash deficit as of June 30, 2023. Pursuant to ESSB 5693, the ESD projects a fund transfer of \$83 million into the Account. This proposal assumes the remaining \$267 million (\$350 million minus \$83 million) would be transferred into the Account at the beginning of FY2024.

To arrive at the 2024 premium rate, the projected September 30, 2023, Account balance (\$321 million) is subtracted from 140% of FY2023 disbursements (\$1.9 billion) and is then divided by FY2023 taxable wages (\$0.2 trillion). The resulting calculated rate of 0.7812% is rounded up to 0.79% to achieve the 2024 premium rate. This calculation is repeated yearly through 2027 with resulting rates and Account balances displayed in the table below.

ESD Projection	Calendar Year:	2023	2024	2025	2026	2027
Baseline* (ESD)	Benefit Payments	-\$1,383	-\$1,515	-\$1,661	-\$1,755	-\$1,844
	Premiums Collected	\$1,495	\$1,591	\$1,736	\$1,856	\$1,955
	Premium Rate (rounded up)	0.80%	0.75%	0.80%	0.80%	0.80%
	Account Balance (end of year)	\$69	\$72	\$72	\$97	\$129
Proposal C	Benefit Payments	-\$1,383	-\$1,515	-\$1,661	-\$1,755	-\$1,844
	Premiums Collected	\$1,495	\$1,657	\$1,721	\$1,882	\$2,042
	Premium Rate (rounded up)	0.80%	0.79%	0.78%	0.82%	0.84%
	Account Balance (end of year)	\$336	\$405	\$390	\$440	\$560
Variance	Benefit Payments					
	Premiums Collected		\$65	-\$15	\$26	\$87
	Premium Rate (rounded up)		0.04%	-0.02%	0.02%	0.04%
	Account Balance (end of year)	\$267	\$333	\$318	\$344	\$431

**Baseline is ESD's estimate based on continuing the current program state*

Millions of dollars