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Fiscal Note

Drafting Number: LLS 22-0679
Prime Sponsors: Rep. Gray
Sen. Winter

Date: February 1, 2022
Bill Status: House Business
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Bill Topic: **FAMILY AND MEDICAL LEAVE INSURANCE FUND**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill transfers \$57.0 million from the General Fund to the Family and Medical Leave Insurance Fund to prepay state employer premiums to the Department of Labor and Employment. It creates a one-time state transfer in FY 2022-23 and will reduce centrally appropriated costs for agencies by the same amount over approximately four fiscal years.

Appropriation Summary:

The Family and Medical Leave Insurance Fund is continuously appropriated to the Department of Labor and Employment. Depending on timing of the bill's passage, the bill may require a reduction from the Paid Family Medical Leave Initiative line within each agency budget of \$4.9 million in FY 2022-23.

Fiscal Note Status:

The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 22-1133

		Current Year FY 2021-22	Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-	-
Expenditures	Centrally Appropriated ¹	-	(\$4,908,466)	(\$9,816,932)
	Total Expenditures	-	(\$4,908,466)	(\$9,816,932)
Transfers	General Fund	(\$57.0 million)	-	-
	Cash Funds	\$57.0 million	-	-
	Net Transfer	\$0	-	-
Other Budget Impacts		-	-	-

¹ The FY 2022-23 Total Compensation Request submitted by the Department of Personnel and Administration includes \$4,908,466, as a POTS appropriation for a half-year of state employer Family and Medical Leave Insurance premiums, to be included in the FY 2022-23 Long Bill. If this bill passes prior to the Long Bill, this reduction may not need to be appropriated in the bill, and will be adjusted in the Long Bill instead.

Summary of Legislation

The bill transfers \$57.0 million from the General Fund to the Family and Medical Leave Insurance Fund for advance payments into state employer accounts under the Paid Family and Medical Leave Insurance Act administered by the Division of Family and Medical Leave Insurance in the Colorado Department of Labor and Employment (CDLE).

When those accounts have a \$0 balance, the state will begin paying quarterly premiums. The division must report the manner in which it determines the state will receive credit for the advance payment to the Department of Personnel and Administration, the Office of State Planning and Budgeting, and the Joint Budget Committee by December 31, 2022. The bill specifies that advance payments of premiums do not constitute indebtedness or a state liability and are exempt from the state's fiscal rules.

Background

The Family and Medical Leave Insurance Program, administered by the CDLE, was approved by voters in November 2020 through citizen-initiated Proposition 118. The program was created as an enterprise and its revenue does not count toward the state's revenue limit under TABOR. It requires employers and employees in Colorado to pay a payroll premium of 0.90 percent, with a minimum of half paid by the employer, beginning January 1, 2023, in order to finance paid family and medical leave insurance benefits. Beginning January 1, 2024, eligible employees may receive up to 12 weeks of paid family and medical leave insurance benefits. Apart from a \$1.5 million transfer from the General Fund to the Family and Medical Leave Insurance Fund, the program does not expect to receive funding until January 1, 2023, when premiums begin.

State Transfers

In the current FY 2021-22, the bill transfers \$57.0 million from the General Fund to the Family and Medical Leave Insurance Fund.

State Expenditures

The advance payment of the state's share of employer premiums will result in a reduction in state expenditures of \$4,908,466 in FY 2022-23 (half-year impact) and a reduction of \$9,816,932 in FY 2023-24, with ongoing reductions until the \$57.0 million prepayment is drawn down. As discussed in the Background section, these amounts represent the employer contribution of 0.90 percent of all appropriated positions within the state, appropriated through the "Paid Family Medical Leave Initiative" line within each agency budget.

Other Budget Impacts

The Family and Medical Leave Insurance Program is a state government enterprise, with revenue exempt from TABOR. The fiscal note assumes that advance premium payments do not constitute grant funding for purposes of determining the program's enterprise status.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

If this bill is passed after the FY 2022-23 Long Bill, it will require a total reduction of \$4,908,466 in the centrally appropriated POTS appropriation titled Paid Family Medical Leave Initiative, distributed within each agency budget.

If this bill is enacted prior to passage of the Long Bill, it is assumed that the required adjustments in appropriations for this bill can be made as adjustments to the Long Bill, rather than included as appropriations in this bill.

State and Local Government Contacts

Information Technology
Personnel and Administration

Labor and Employment
Treasury