SENATE BILL REPORT
SB 5959

As of February 3, 2022

Title: An act relating to the financial stability and solvency of the family and medical leave insurance account.

Brief Description: Concerning the financial stability and solvency of the family and medical leave insurance account.

Sponsors: Senators Wilson, L., Braun, Dozier and Wilson, J..

Brief History:
Committee Activity: Ways & Means: 2/04/22.

Brief Summary of Bill

- Directs the Office of the State Actuary to provide Paid Family and Medical Leave (PFML) actuarial assistance to the Employment Security Department (ESD) and to prepare biennial reports regarding PFML financial stability.
- Appropriates $125,000,000 Coronavirus State Fiscal Recovery funds into the Family and Medical Leave Insurance Account (FMLIA) in fiscal year (FY) 2022.
- Directs the transfer of Dedicated Marijuana Account funds into the FMLIA to eliminate, or reduce to maximum extent, a PFML solvency surcharge in FY 2023 thru 2028.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Joshua Hinman (786-7281)

Background: The Paid Family & Medical Leave (PFML) program provides benefits to qualifying workers who take leave for specified family and medical purposes. PFML is

---

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

funded by both employer and employee contributions.

The total premium rate for each calendar year must be based on the Family and Medical Leave Insurance Account (FMLIA) balance ratio as of September 30th of the previous year. The balance ratio is calculated by dividing the FMLIA balance by total gross covered wages. The premium rate is based on this balance ratio. For example, the balance ratio was 0.09 percent on September 30, 2021, which established a premium rate of 0.60 percent for calendar year 2022.

In addition to the premium rate described above, if the balance ratio is below 0.05 percent, there will also be a solvency surcharge between 0.1 and 0.6 percent. The Employment Security Department (ESD) must assess a solvency surcharge at the lowest rate necessary to provide revenue to pay for PFML administrative and benefit costs for the calendar year.

Summary of Bill: The Office of the State Actuary is required to provide actuarial assistance to ESD related to the PFML program. By December 2023 and biennially thereafter through 2028, followed by a five-year reporting frequency, the State Actuary must report findings as to whether rates are sufficient to maintain financial stability, program solvency, and an adequate reserve balance. The State Actuary is directed to make recommendations to the PFML Advisory Committee, which may include options to modify the rate setting methodology. The PFML Advisory Committee may request more frequent analysis.

In Fiscal Year (FY) 2022, $125,000,000 is appropriated to Federal Coronavirus State Fiscal Recovery funds into the FMLIA.

On October 1st in FY 2023 thru 2028, 25 percent of the Dedicated Marijuana Account funds will be transferred into the FMLIA. During this time period, dedicated funding allocated to the State Basic Health Plan Trust Account is reduced from 50 to 25 percent.

ESD is directed to use Dedicated Marijuana Account funds to eliminate the solvency surcharge, or if the appropriation is insufficient, to further reduce the solvency surcharge to the lowest rate possible within the amount appropriated. By January 31st each year, ESD is directed to deposit into the State Basic Health Plan Trust Account all unused Dedicated Marijuana Account funds that exceed the amount required to eliminate the solvency surcharge.

Appropriation: The bill contains an appropriation totaling $125,000,000 from the Coronavirus State Fiscal Recovery Fund

Fiscal Note: Requested on January 28, 2022

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.