151st GENERAL ASSEMBLY
FISCAL NOTE

BILL:	**SENATE SUBSTITUTE NO. 2 FOR SENATE BILL 1**
SPONSOR:	**Senator S. McBride**
DESCRIPTION:	**AN ACT TO AMEND TITLE 19 OF THE DELAWARE CODE RELATING TO THE FAMILY AND MEDICAL LEAVE INSURANCE PROGRAM.**

Assumptions:

1. Upon signature by the Governor, this Act takes effect July 1, 2022.

2. This Act, known as the Healthy Delaware Families Act, establishes the Delaware Family and Medical Leave Insurance Program, which creates a statewide paid family, medical, and parental leave insurance program.

3. The Act provides covered individuals a maximum of 12 weeks of family and medical leave benefits for the following purposes:
    a. To address a worker's own serious health condition.
    b. To care for a family member with a serious health condition.
    c. To bond and care for a new child.
    d. To address the impact of a family member's military deployment.

4. This Act requires the Department of Labor to:
    a. Establish and administer procedures for filing claims for benefits, including documentation from a health care provider.
    b. Adopt regulations as necessary to implement this chapter.

5. This Act expands upon the Department of Labor's duties and powers. To implement the provisions of this Act, the Department of Labor anticipates the need for the following:
    a. Addition of 61 FTE positions to the Department of Labor to create a new division within the department, solely dedicated to collecting payroll contributions, reviewing applications, applying wage benefits, and processing claims.
        i. Recurring Costs - $6,541,000
            1. $3,600,000 in Personnel Costs, including Other Employment Costs (OECs), for 1.0 FTE, Deputy Attorney General; 1.0 FTE, Director; 1.0 FTE, Deputy Director; 2.0 FTEs, Administrators; 4.0 FTEs, Managers; 1.0 FTE, Fiscal Officer; 2.0 FTEs, Management Data Analysts; 5.0 FTEs, Supervisors; 4.0 FTEs, Field Auditors; 4.0 FTEs, Sr. Accountants; 3.0 FTEs, Accountants; 7.0 FTEs, Accounting Specialists; 3.0 FTEs, Appeals Referees; 10.0 FTEs, Claims Adjudicator/Investigator/Auditors; 6.0 FTEs, Claims Processors; 5.0 FTEs, Administrative Specialists; 2.0 FTEs, Operations Specialists.
                a. It is assumed that full staffing will be reached over a two-year period. First year personnel costs are assumed at approximately $1,500,000.
            2. $1,941,000 for ongoing leased space, supplies, energy, capital outlay, and contractual services.
            3. $1,000,000 for ongoing hosting and updates for benefit and tax system (after initial implementation, beginning in Fiscal Year 2024).

ii. One-Time Costs - $17,700,000
    1. The total costs of a benefit and tax system (technology system and software) are difficult to determine; however, through initial conversations with the Department of Technology and Information, the Department of Labor estimates an approximate cost of $16,000,000.
    2. $1,500,000 for general start-up costs (contractual staff, computers, furniture, energy, capital outlay) for the new division at the Department of Labor.
    3. $200,000 for the Department of Finance to add a Payroll and Tax Module to the Integrated Revenue Administration System (IRAS) collection system.

6. Other provisions of this Act relevant to the fiscal projection include:
    a. Creates the Family and Medical Leave Insurance Account Fund, administered by the State Treasurer.

7. This fiscal impact assumes that the initial start-up operational (initial staff, lease space, etc.) and one-time costs associated with this Act for the Department of Labor would require funding through the General Fund. Upon full implementation, it is assumed that all ongoing costs at the Department of Labor will be paid from an administrative percentage of collections (Special Funds) and will not require continued General Fund appropriations (this transition occurs in the last six months of Fiscal Year 2025).

8. Per the Office of Management and Budget, the State of Delaware currently provides for paid medical leave and paid parental leave that meet the employer obligation outlined in this Act and will qualify for exemption. However, the State does not have a clearly met obligation for family caregiver leave. Therefore, it is assumed that upon implementation, this Act will require the State, as an employer, to contribute to this program, requiring a payroll contribution of 0.04% from employees and 0.04% from the employer (the State).

   For purposes of this analysis, per the Office of Management and Budget, it is assumed that the State will cover the full 0.08% contribution for family caregiver leave. Using the Fiscal Year 2021 actual wages statewide as the basis, the total required annual state contribution is approximately $1,355,961 in General Funds and $614,438 in Special Funds. However, contributions will not be required until January 1, 2025, so 6 months of costs are assumed in Fiscal Year 2025.

9. Future year costs are assumed to increase at a rate of 2%.

Cost:

	One-Time (General Fund)	On-going Costs (General Fund)	On-going Costs (Special Funds)
Fiscal Year 2023:	$17,700,000	$3,441,000	
Fiscal Year 2024:		$6,671,820	
Fiscal Year 2025:		$3,741,618	$3,709,848

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