Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement

PUBLISHED: 1/24/2025 4:00 PM **ORIGINAL**

Bill Number: SB1122S1 **Patron:** Boysko
Bill Title: Paid family and medical leave insurance program; notice requirements; civil action.

Bill Summary: Requires the Virginia Employment Commission to establish and administer a paid family and medical leave insurance program with benefits beginning January 1, 2028. Under the program, benefits are paid to covered individuals, as defined in the bill, for family and medical leave. Funding for the program is provided through premiums assessed to employers and employees beginning January 1, 2027. The bill provides that the amount of a benefit is 80 percent of the employee's average weekly wage, not to exceed 120 percent of the state weekly wage, which amount is required to be adjusted annually to reflect changes in the statewide average weekly wage. The bill caps the duration of paid leave at 12 weeks in any application year and provides self-employed individuals the option of participating in the program.

Budget Amendment Necessary: **Yes.** **Items Impacted:** **356 (VEC); 46 (OAG)**

Explanation: This bill involves the Virginia Employment Commission and the Office of the Attorney General; budget amendments are necessary to implement the provisions of the bill.

Fiscal Summary: It is anticipated that VEC would require a line of credit, treasury loan, or general fund appropriation to address start-up costs of implementation of the provisions. The bill requires the repayment of any general fund support initially provided for the implementation of this program by January 1, 2033. OAG anticipates the need of a general fund amendment.

General Fund Expenditure Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
VEC (admin)	-	$75M	$35M	-	-	-
OAG		$144,159	$144,159	$144,159	$144,159	$144,159
TOTAL		**$75M**	**$35M**	**$1**44,159	**$1**44,159	**$1**44,159

Nongeneral Fund Expenditure Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
VEC benefits	-	-	-	$1.748 Billion	$1.860 Billion	$1.998 Billion
VEC (admin)	-	-	-	$35M	$35M	$35M
TOTAL				**$1.783 Billion**	**$1.895 Billion**	**$2.033 Billion**

Nongeneral Fund Revenue Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Payroll Taxes Collected	-	-	$1.364 Billion	$1.418 Billion	$1.476 Billion	$1.471 Billion

TOTAL	**$1.364 Billion**	**$1.418 Billion**	**$1.476 Billion**	**$1.471 Billion**

Position Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
VEC	-	250	250	250	250	250
OAG		1	1	1	1	1
TOTAL		**251**	**251**	**251**	**251**	**251**

Fiscal Analysis: This impact statement is preliminary. This bill establishes the Paid Family and Medical Leave Program and the Paid Family and Medical Leave Insurance Trust Fund. To the extent that sufficient moneys in the Fund are available, the Fund is to be used to provide eligible individuals with a family and medical leave benefit and for the Fund's administration. The payroll taxes established in the bill are the revenue sources for the Fund.

Virginia Employment Commission (VEC)

VEC is to administer the new program. VEC anticipates that start-up costs will be $75.0 million in FY 2026 and $35.0 million in FY 2027. Until such time as revenue could be generated to offset the upfront expenses, VEC would require a line of credit, treasury loan, or general fund appropriation. The bill requires the repayment of any general fund support initially provided for the implementation of this program by January 1, 2033.

The start-up costs address the development and implementation of the required IT systems and staffing (250 FTEs) for the program. A detailed procurement would have to be completed, but VEC based this estimate on the cost to develop similar systems. The tax system must include: employer registration; employer account maintenance; wage reports; paid family leave tax payments; general ledger; tax refunds; tax compliance (penalties and interest); paid family leave field audit; and, management reports. The benefit system must include: claims filing management; adjudication of medical, family, and parental leave claims; verification of medical licensures; payment and administration of benefits; repayment recovery; fraud prevention tools; and, analytics. In addition to the procurement of tax and benefits systems, VEC estimates that the agency will need to hire program staff for the establishment and administration of the paid family and medical leave program pre-implementation. This includes staff for the new Information Technology Division, Division of Tax, Division of Benefits, Appeals, Customer Relations, and Support Services. VEC anticipates that to fully function, the paid family and medical leave program will need 250 FTEs; this is comparable to the agency's administration of the state's federal Unemployment Insurance Program. Since this is a state directed program, no federal funds can be used to support any component of this new program.

The bill directs VEC to promulgate regulations to implement the new program by July 1, 2026, to begin collecting the premium or payroll contributions from employers to pay benefits under the program beginning on January 1, 2027, and to begin making payments to eligible individuals beginning on January 1, 2028. Collections will be deposited to the Fund and payments will be made from the Fund. According to the bill, for calendar years 2027 and 2028, VEC is to set the premium based on sound actuarial principles, and beginning with calendar year 2029, VEC is to use a methodology described in the bill to set the premium, considering the balance in the Fund at the close of the previous fiscal year and ensuring that the Fund maintains or achieves an annualized amount of not less than 140 percent of the previous fiscal year's expenditure for benefits and for the administration of the program. According to VEC, to support the benefit level established in the bill, premiums would have to be assessed in the amount of 0.72 percent of wages. These amounts would be split between the employer and employee. Total annual benefits are estimated to be approximately $1.75 billion in FY 2028, increasing to $2.0 billion by FY 2030. While the premiums and payments are indeterminate, and will be based on demand, actuarial principles and usage, VEC estimates that revenues from the premium will be between $1.35 billion in FY 2027 and $1.5 billion in FY 2030. The projected utilization rate and average duration in VEC's estimates are based on the 2024 Virginia Family and Medical Leave Study completed by the Weldon Cooper Center for Public Service at the University of Virginia. The study was written assuming eight weeks of benefits match SB373 from the 2024 session. The benefits paid estimates in this statement are increased by 50 percent to account for the four additional benefit weeks proposed in the bill.

Office of the Attorney General (OAG)

The bill requires the VEC Commissioner to establish a system for appeals in the case of a denial of a claim for family and medical leave benefits. According to the OAG, an additional attorney would be needed for anticipated new workload for appeals filed with the VEC at a cost of $144,159.

Department of Human Resource Management (DHRM)

The bill requires that the Department of Human Resource Management (DHRM) adopt rules to ensure that its policies relating to family and medical leave for employees of the Commonwealth, including parental leave under § 2.2-1210, Code of Virginia, provide employees of the Commonwealth with leave benefits equal to or greater than the leave benefits provided to a covered individual under the paid family and medical leave insurance program. Additionally, the third enactment of the bill requires DHRM to modify the Commonwealth's policies relating to family and medical leave by January 1, 2026, and that the Governor include any necessary funding to support such modifications in the appropriation act submitted for the 2026-2028 biennium. Comments from DHRM are pending.

Statewide Impact

The bill excludes the Commonwealth from the definition of an employer, but also requires the Commonwealth to provide leave benefits equal or greater to the benefits under the bill. The Commonwealth would not be required to pay the employer tax; however, costs are likely to be incurred to meet the equivalency of the program established in this bill. Such costs could include the need for additional or supplementary staff when qualifying employees are on leave. At this time, such costs are indeterminate.

Other: HB2531 is the companion to this bill.