



Paid Family Leave Insurance

Problem:

Washington's paid family leave law is on the books, with benefits set to begin in October, 2009. At the same time, the Legislature has failed to specify an administering agency for the program and has not identified a source of funding for the promised benefits. In the face of a forecasted \$3.2 billion budget deficit next session, it may be tempting to look to the employer community for the tax revenue necessary to fund this new social program.

Background:

In 2007, Washington became the second state in the nation after California to provide a paid family leave insurance program. Washington's law mandated six weeks of leave for employees of employers of 25 or more in order to care for a newborn or newly adopted child. Eligible employees could then apply for family leave benefits of up to \$250 per week for five weeks from the state.

The business community responded very clearly to the Legislature that such a program was unnecessary, and that the proper policy approach would be to offer incentives and flexibility to encourage employers to structure their workforce in such a way that allowed for paid family leave. Many small business owners told the Legislature they cared for their employees and accommodated them on a case by case basis and appreciated that flexibility. Many larger employers pointed out they already offer better benefits to their workers than the bill would require.

The Legislature adjourned in 2007 without specifying an agency to administer the program and without a funding source for its administration or benefits. Despite the work of an appointed task force in 2007, the 2008 Legislature failed to pass implementing or funding legislation. \$6.2 million was, however, appropriated to the Employment Security Department to begin working on IT infrastructure.

Solution:

Consider repealing, suspending, or delaying the program as a matter of prudent budgeting in the face of a substantial projected deficit. Alternatively:

1. Do not raise or impose general fund taxes or other taxes on employers to fund family leave insurance benefits. The costs of funding the program should be borne by the workers who will utilize it;
2. Allow and encourage employers to voluntarily comply with the mandates of the program through streamlined requirements and financial incentives; and
3. Make the requirements of this program coordinate with (a) employers' voluntary benefit policies and plans and (b) the federal Family and Medical Leave Act and state leave of absence laws.