https://www.coloradopolitics.com/2020-election/common-sense-institute-finds-cost-high-for-colorados-paid-family-leave-program/article_c9f8538a-f2ad-11ea-969b-f72d83f76083.html

Common Sense Institute finds cost high for Colorado's paid family leave program

Joey Bunch, Colorado Politics
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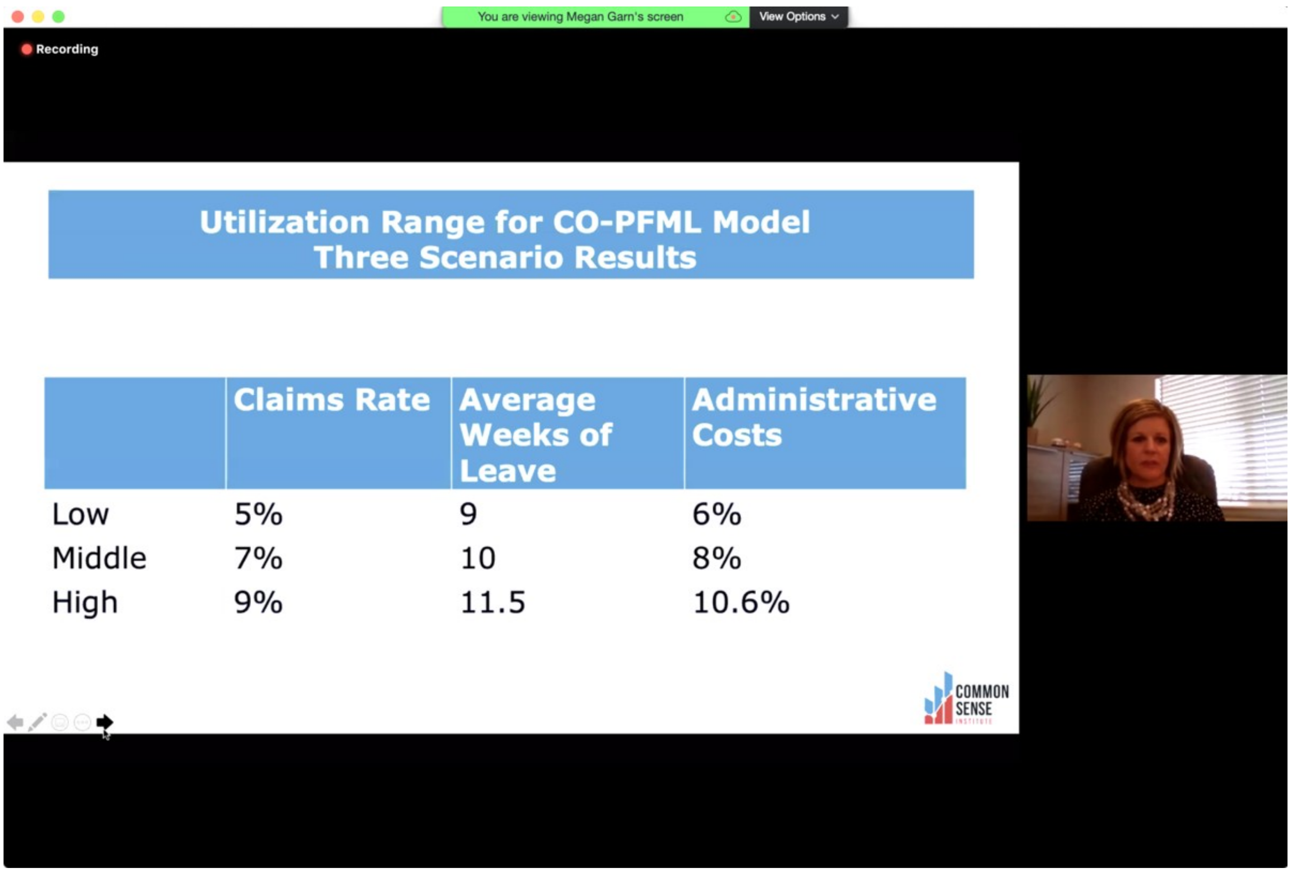

	Claims Rate	Average Weeks of Leave	Administrative Costs
Low	5%	9	6%
Middle	7%	10	8%
High	9%	11.5	10.6%

Common Sense Institute researcher Lisa Strunk lays out the use versus the cost scenarios for a paid family and medical leave program covered by Proposition 118.

Via Zoom

Colorado's long-massaged, hard-to-adopt paid family and medical leave program on the November ballot probably won't be on the books long before it would need to raise premiums to cover payouts, according to an independent analysis presented Wednesday morning.

The nonpartisan Common Sense Institute, which doesn't endorse or oppose ballot issues politically, crunched the numbers outside the spin on both sides and presented the analysis in a webinar attended by the business leaders who make up its membership.

You can read the report by clicking here.

Bottom line: It won't be cheap or easy.

Paid family and medical leave allows employers to hang on to good workers — which is why many already offer it — while helping people tend to an illness, care for a loved one or bond with a new child. Employees and employers would split the premium, and those with nine or fewer employees are exempt.

Smaller businesses with thinner profit margins, however, are expected to be challenged the most by paying the premiums. About 85% of Colorado workers would be automatically enrolled and required to pay their share premium. Local governments could opt out and self-employed workers would have to opt in to get the benefit, while federal employees are exempt in the state proposal. State employees also would be automatically enrolled.

That means people who might be getting the benefit covered by their employers now would have to start paying half the premium, which are capped at 1.2% of their pay. The weekly benefit for any employee is capped at $1,100.

The Common Sense Institute analysis examined a hypothetical restaurant with 30 employees and a 3% profit margin. The profit margin would see a 10% hit that increases in costs, if they are forced to hire a replacement for every worker who goes out on leave.

On the other hand, a biotech research company with 200 employees and a 15% profit margin could step up the benefit from 90% wage replacement to full paid leave and still see its margin decrease by just 2.4%, because such enterprises typically replace about half of workers on leave.

For perspective, the institute noted that last year's corporate income tax net collections in Colorado was $655 million. By the time the paid family and medical leave matures in 2025 under the proposed scenario, the total premiums to be paid by Colorado employers could reach more than $1.34 billion.

"The one-size-fits-all policy could disproportionately impact small businesses, since they have small profit margins, compared to large firms," said CSI economist Lisa Strunk, who crafted the analysis with policy and research director Chris Brown. "Some could lay off employees or cut hours, wages or benefits. Some may be forced to close entirely unable to afford cover the cost of an expensive government mandate."

Most of the numbers used in the analysis came from the findings of a statewide task force that worked on the (ultimately unsuccessful) legislation last year. Gov. Jared Polis and some fiscally moderate Democrats have choked on those costs, as other Democrats have tried and failed to adopt the program at the Capitol the last two years.

No proponents of the program disputed the numbers or raised objections or support for Proposition 118 on the hour-long webinar that was open to the public, as researchers fielded questions from listeners.

Brown said the 1.2% cap on premium would cover the middle level of use, but if the numbers came it higher, legislators would need to raise that cap or the program would risk insolvency.

"A very important note and concept to understand within this program is that there is no mechanism ... to reduce the size of the benefit in the event that the costs rise above what the benefit can support," Brown said.

The program's official task force was created as a compromise in 2019, when it was clear the legislation would not have enough support to pass the program. The legislation, however bogged down again over cost estimates in the 2020 session.

"Compared to other states, Colorado would have some of the most generous benefits in the nation, and this is important," said Kristin Strohm, the institute's executive director.

In every model, the state administrative costs exceeded claims payouts. If the utilization rate reaches 7%, premiums would not be able to cover payouts without a hike, the report notes. Colorado's estimate on use is still 6% lower than the actual use in Rhode Island, Strohm noted.

The webinar also is available on CSI's website, but clicking here.

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