DEPARTMENT OF ADMINISTRATION

OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number: *2024-H 7171*

Date of State Budget Office Approval: Monday, March 11, 2024
Date Requested: Thursday, January 11, 2024
Date Due: Sunday, January 21, 2024

Impact on Expenditures		*Impact on Revenues*	
FY 2024	N/A	FY 2024	N/A
FY 2025	$10.5M	FY 2025	See note
FY 2026	$21.4M	FY 2026	See note

*

**While increases in TDI/TCI expenditures may not have an immediate impact on the wage assessment rate due available reserve balances and the timing of the rate calculation, any new expenditures from the fund will be offset by future increases to wage assessments.

Explanation by State Budget Office:

This bill would increase weekly dependency allowances for claimants receiving temporary disability insurance benefits from ten dollars ($10.00) to twenty dollars ($20.00) and adds grandchildren, siblings and care recipients to the list of members eligible to receive these benefits. This bill would also increase the maximum weeks of payable temporary caregivers benefits from six weeks to twelve weeks beginning in CY 2025.

Summary of Facts and Assumptions:

RIGL 28-41-34 establishes a temporary caregiver insurance program to provide wage replacement benefits to workers who take time off to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law, grandparent, or to bond with a new child. Bill H7171 would add grandchildren, siblings, care recipients to the category of individuals for which workers are able to claim wage replacement benefits. This bill defines care recipients as persons for whom the employee is responsible for providing or arranging health or safety related care, including but not limited to helping the person obtain diagnostic and preventive, routine or therapeutic health treatment. The definition of siblings as established by this bill means children with a common parent or grandparent, including biological siblings, half-siblings, foster siblings and adopted siblings.

The Budget Office consulted with the Department of Labor and Training to construct expenditure impacts of the various components of this bill.

1. Increase weekly dependency allowances.

Under current law, TDI claimants receive a weekly allowance of ten dollars ($10.00) or seven percent (7%) of the individual's benefit rate. This bill would increase the weekly dependency allowance to twenty dollars ($20.00). The Department of Labor and Training provided information describing the total benefit cost if the maximum dependency weekly allowance increased to twenty dollars. Utilizing the Department's existing benefit cost model and the 2023 benefit amounts, the Department estimates that the total dependency allowance costs would increase by $62,000.

DEPARTMENT OF ADMINISTRATION

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

2. Expand the definition of TCI-eligible relations.

Current law provides wage replacement benefits to workers who take time off to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law, grandparent, or to bond with a new child. This bill would add grandchildren, siblings, and care recipients to the list of eligible relations. The Department assumes that this change would increase TDI benefits by 2.4 percent, resulting in an increased cost of $5.9 million ($2.7 million for grandchildren, $1.6 million for siblings and $1.6 million for care recipients). These estimates are based on benefits costs associated with the care of children and parents.

3. Increase the maximum weeks that temporary caregivers' benefits may be given.

Current law allows individuals to collect TDI benefits for a maximum of six weeks. This bill would increase that maximum from six weeks to twelve weeks, starting in CY 2025. The Department estimates that this change will increase TDI benefits by 7.6 percent and result in a cost increase of $15.0 million.

The assessment rate used to fund TDI is 1.2% of a person's wages with a cap on the maximum amount of individual wages subject to assessment. The cap in 2023 is $84,000 and is set to increase to $87,000 in 2024. This fiscal note uses 2023 data to estimate the impact of H7171. In 2023, the Department collected a total of $248.0 million in assessments and paid out $239.4 million in TDI/TCI benefits. Had the provisions of H7171 been in place in 2023, the total benefits paid out would have totaled $260.4 million, an increase of 8.5 percent over the total contribution base.

The 2023 TDI taxable payroll was approximately $20.7 billion. The estimated $21.0 million cost of this bill is approximately 0.1 percent of the total taxable wages. The Department noted that while the estimated fiscal impact of this bill may lead to an increase in wage assessment rates in order to recover the increased cost, it is difficult to know with certainty whether this will happen. The determination for assessment rates is made based on a formula that takes into account total payrolls and the balance of funds in the TDI trust fund. While an increase in cost may lead to an increase in rates, there may be enough variability in formula factors to absorb the cost of this bill in the short term. The Department estimated the possibility of a 0.1 percentage point increase to the contribution rate in FY 2024 if the provisions of H7171 had been in place.

The Budget Office notes that while an increase in expenditures of the magnitude described in this fiscal note may or may not trigger an immediate offsetting rate increase, any increase in expenditures must be offset by increased employer assessments in the long run.

Comments on Sources of Funds:
Changes impacting TCI and TDI payroll deductions impact the Temporary Disability Insurance Fund. This bill would not impact general revenues. Revenues into the TDI Fund are comprised of required employee contributions calculated as percentage of covered wages.

DEPARTMENT OF
ADMINISTRATION

OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number: 2024-H 7171

Summary of Fiscal Impact:

FY 2024: No expenditure impact given the assumed effective dates of this bill.

Based on the effective date of January 1, 2025, the impact for FY 2025 is half of the estimate described above.

FY 2025: $10,481,000
FY 2026: $21,003,924

The FY 2026 estimate is inflated by 2.2% to account for the projected CPI increase as established during the November 2023 caseload estimating conference.

The Budget Office assumes that additional expenditures are directly offset by increased wage assessment revenues.

Budget Office Signature: Digitally signed by Joseph Codega Jr. Date: 2024.03.12 09:08:27 -04'00'

Fiscal Advisor Signature: