SB 355

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 355 (Senator Hershey)
Finance

Family and Medical Leave Insurance Program - Delay of Implementation

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This bill delays the Family and Medical Leave Insurance (FAMLI) Program's start dates by two years – to July 1, 2027, for required contributions and to July 1, 2028, for benefit payments. Other dates for the program are also delayed by two years.

Fiscal Summary

State Effect: Special fund FAMLI revenues decrease by up to $1.3 billion in FY 2026, $1.8 billion in FY 2027, and $465.5 million in FY 2028. Special fund FAMLI expenditures decrease by up to $51.6 million in FY 2026 with ongoing savings through FY 2028, reflecting the effect of delaying contributions and benefit payments; however, these expenditures are partially backfilled by general fund expenditures of $34.0 million in FY 2026 and $49.8 million in FY 2027. Also, general fund and federal fund expenditures decrease by $14.8 million and $14.9 million, respectively, in FY 2026, relating to provider reimbursements (out-year impacts for these reimbursements are not quantified below). **This bill eliminates a mandated appropriation for FY 2026 and 2027.**

($ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	($1,328.8)	($1,839.3)	($465.5)	$0	$0
GF Expenditure	$19.2	$49.8	(-)	$0	$0
SF Expenditure	($51.6)	($69.4)	($1,893.4)	$0	$0
FF Expenditure	($14.9)	(-)	(-)	$0	$0
Net Effect	($1,281.4)	($1,819.8)	$1,427.9	$0.0	$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local expenditures decrease in FY 2026 through 2028 from employer contributions being delayed by two years until July 1, 2027. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Current Law: Chapter 48 of 2022 established the FAMLI Program, to be administered by the Maryland Department of Labor (MD Labor). Chapters 258 and 259 of 2023 and Chapters 266 and 267 of 2024 made several modifications to the program, including delaying the program's start date. Employer, employee, and self-employed individual contributions to the program begin July 1, 2025, and claims for benefits begin July 1, 2026.

The program generally provides up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for or bonding with certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit is based on an individual's average weekly wage and is indexed to inflation.

Family and Medical Leave Insurance Fund

Chapter 48 also establishes the FAMLI Fund, which is a special fund administered by the Secretary of Labor consisting of employee, employer, and self-employed individual contributions, specified application and renewal fees, money collected from specified assessments and hearings, and other specified sources of funds. Funds must be used to pay FAMLI benefits and may be used to pay for public education on the FAMLI Program and any other costs associated with the initial implementation and ongoing administration of the FAMLI Program. Employer, employee, and self-employed individual contributions to the program capitalize the fund and begin July 1, 2025; while claims for benefits paid out from the fund begin July 1, 2026.

Contributions

Required contributions to the program, which are shared equally between employers and employees, are also based on employee wages, although employers with 14 or fewer employees are not required to contribute. The total rate of contribution may not exceed 1.2% of an employee's wages up to and including the Social Security wage base, and the rate is annually adjusted based on a required cost analysis. In September 2023, MD Labor set the initial total rate of contribution at 0.9% of covered wages. This rate will apply for fiscal 2026; thus, beginning July 1, 2025, each employee, each employer with 15 or more employees, and each participating self-employed individual must pay to the Secretary of Labor 0.9% of covered wages up to the Social Security cap, equally divided between employees and employers (self-employed individuals pay the total 0.9% contribution rate).

Benefits

A covered individual may not receive more than 12 weeks of benefits in an application year, except under specified circumstances. A covered individual may take eligible leave on an intermittent leave schedule under specified conditions. The weekly benefit payable to a covered individual is calculated based on the employee's average weekly wage and ranges from a minimum of $50 to a maximum of $1,000 for the six-month period beginning July 1, 2026. Beginning January 1, 2027, the maximum weekly benefit must be increased by the annual percentage growth in the Consumer Price Index, subject to a determination by the Board of Public Works based on expected economic conditions.

Provider Reimbursements for Employer Share of Family and Medical Leave Insurance Contributions

The Maryland Department of Health (MDH) is required to reimburse certain service providers for some or all of the employer share of FAMLI contributions on at least a quarterly basis, as follows:

- for a community provider that is required to be licensed or certified under Title 7 of the Health-General Article, 100% of the employer FAMLI contribution;
- for a community provider that is required to be licensed or certified under Title 7.5 of the Health-General Article, for a percentage of the employer FAMLI contribution that is equal to the percentage of revenue that is attributable to federal and State Medicaid funding and any other State funding received by the provider for the services during the period covered by the reimbursement; or
- for a provider, as defined in § 16-201.4 of the Health-General Article, a percentage of the FAMLI employer contribution that is equal to the percentage of revenue attributable to federal and State Medicaid funding and any other State funding received by the provider for the services during the period covered by the reimbursement.

State Revenues: The bill takes effect October 1, 2025, but under current law contributions commence July 1, 2025. However, contributions are not *due* until the month after the quarter ends, so by the time that contributions are due, the bill will have taken effect. Thus, this analysis assumes contributions are not *collected* by the FAMLI Program in fiscal 2026.

Delaying required contributions for the FAMLI Program by two years from July 1, 2025, to July 1, 2027, decreases special fund revenues from employer and employee contributions. Based on a 0.9% rate, 100% employer participation, and the timing of when quarterly contributions are collected, FAMLI special fund revenues decrease by $1.3 billion in fiscal 2026, $1.8 billion in fiscal 2027, and $465.5 million in fiscal 2028 as a result of the delay. To the extent employers participate in private plans, the actual decrease in revenues is less.

State Expenditures:

Maryland Department of Labor Operating Expenses

The fiscal 2026 budget as introduced includes $66.8 million in special fund expenditures and $14.8 million in federal fund expenditures, with 369 authorized positions and 8 contractual positions, though the Department of Budget and Management advises the Governor's allowance is overstated due to revised contract and personnel costs.

MD Labor advises that the bill results in operational savings of $17.6 million in fiscal 2026 and $19.5 million in fiscal 2027, primarily related to delaying staffing for customer care, claims, and employer services. While delaying the FAMLI Program by two years results in operational savings, the delay of FAMLI contributions means that FAMLI Fund revenues are not available to support the program. Thus, special fund expenditures decrease by $51. 6 million in fiscal 2026 and by $69.4 million in fiscal 2027. General fund expenditures increase by $34.0 million in fiscal 2026 and $49.8 million in fiscal 2027 to fund existing personnel, contracts, and related FAMLI expenses that cannot be deferred.

Family and Medical Leave Insurance Benefits

Delaying the start of FAMLI benefits by two years to July 1, 2028, results in no FAMLI benefits being paid in fiscal 2027 and 2028. Thus, based on existing projections of future benefit payments under current law, special fund expenditures for FAMLI benefits decrease by $1.8 billion in fiscal 2027 and $1.9 billion in fiscal 2028, assuming no employers participate in private plans.

Employer Contributions for State Employee

The State is opting to self-insure for the FAMLI Program so there is no material cost savings to the State as an employer from delaying the start of contributions. Likewise, delaying the start of benefits likely does not have a material impact on the State as an employer.

Service Providers

MDH must reimburse certain service providers for some or all of the employer share of FAMLI contributions on at least a quarterly basis. Thus, MDH general fund and federal fund expenditures decrease by approximately $14.8 million and $14.9 million, respectively, in fiscal 2026, with additional cost savings in fiscal 2027 and 2028.

Local Expenditures: Local jurisdictions experience savings from FAMLI contributions being delayed by two years until July 1, 2027.

Small Business Effect: The bill delays employer FAMLI contributions by two years. Thus, small businesses with at least 15 employees benefit from not having to pay employer FAMLI contributions.

Additional Comments: As noted above, the bill takes effect October 1, 2025, which is three months after contributions are required to be made under current law. Although this analysis assumes no meaningful impact over that three-month period on the FAMLI Program or Fund due to contributions being collected on a quarterly basis, this discrepancy may have an impact on how employers and employees make the contributions.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Department of Budget and Management; Maryland Department of Labor; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2025
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