



## BOARD OF COMMISSIONERS

# AGENDA REQUEST & STAFF REPORT

**MEETING DATE:** November 14, 2022

**SUBJECT:** Paid Leave Oregon Implementation

**RECOMMENDED MOTION:**

Move approval of participation in the state plan for Paid Leave Oregon and authorization of County Administrator signature on applicable plan documents.

**BACKGROUND AND POLICY IMPLICATIONS:**

House Bill 2005 was signed in August 2019, making Oregon the eighth state to establish a paid leave program for employees. Subsequent legislation in 2021 delayed the implementation of Paid Leave Oregon until 2023.

Paid Leave Oregon (PLO) is a required program for employers and employees that allows employees in Oregon to take paid time off for qualified family, medical, and safe leave.

Implementation options for employers include:

- 1) Participate in a State run plan;
- 2) Establish an equivalent plan and contract with a private insurance company; or
- 3) Establish an equivalent plan and self-insure the benefit internally.

Staff is seeking Board direction on how Deschutes County will structure implementation of Paid Leave Oregon benefits. Due to the size of the County, the complexity of the PLO benefit, and the lack of historical claims data, County staff believes self-insuring the PLO is not feasible at this time. Staff is recommending that the County enroll in the State plan as the most affordable option at this time.

Additional details on the PLO program and options for Board consideration follow.

### What benefits does Paid Leave Oregon provide?

Employees can take paid leave in increments equal to one workday or one workweek. Employees can take leave all at once (consecutive) or in separate blocks of time (non-consecutive). This program will increase the amount of leave time available to employees in specific circumstances. Employers are required to provide job protection and maintain an employee's health benefits while on leave.

Paid leave time:

- 12 weeks of paid family, medical, or safe leave per benefit year.
  - Additional 2 weeks of paid leave in some pregnancy-related situations.

Benefit amounts are calculated on the employee wages and taking into account the state average weekly wage. Employers can choose to provide additional pay, or allow employees to use their own paid leave to supplement the benefit amount they receive.

### When does Paid Leave Oregon start?

- Employee benefits start Sept. 3, 2023
- For the State plan, employee and employer contributions start Jan. 1, 2023
- For equivalent plans and contracting with a private insurance company, contributions would begin in September 2023 for both employee and employer

### Financial and/or Resource Considerations

As established in Section 16 of House Bill 2005, the 2023 rate is set at 1% of staff wages (up to \$132,900 annually) split between employers (40%) and employees (60%).

*Example, if an employee made \$1,000 in wages on their paycheck, the Paid Leave Oregon contribution would be \$10 for this paycheck; the employee would pay \$6 and the employer would pay \$4.*

If the County enrolls in the State plan, employees and the County would begin making contributions to the State program through payroll deductions on January 1, subject to statute and bargaining. For fiscal year 2023 (FY23) the County budgeted for the employer cost of enrolling in the State plan. FY23 employer costs are estimated at approximately \$216,000 due to the half year implementation; annualized employer costs are estimated at \$433,000.

### **Estimated cost for Paid Leave Oregon State Plan:**

- Annual estimate:
  - ~\$649,000 for employee contributions
  - ~\$433,000 for employer contributions

Human Resources staff has reviewed bids for equivalent plan options and the option for the County to participate in an equivalent plan has a rate of 1.42% of wages. Employers may not withhold more than 60% of the total state rate (1%) from employee's gross wages. Given this rule, the County would pay more than 40% of the total cost if we were to select a private plan.

**Estimated cost for Paid Leave Oregon Private Equivalent Plan:**

- Annual estimate:
  - ~\$649,000 for employee contributions
  - ~\$535,000 for employer contributions

Implementation and Recommendation

The details and major rulemaking by the State for the PLO was finalized very recently, with additional rules and processes still being worked on. If the County enrolls in a private plan, a notification and request for approval would need to be submitted to the State of Oregon by November 30, 2022. A penalty fee would be assessed on required contributions should the State deny a request to enroll in an equivalent plan. While year one costs would be lower if selecting a private plan, staff still recommends enrolling in the State plan as ongoing costs would be lower.

Employers are allowed to move from the state plan to an equivalent plan, and vice versa, annually each fall. Given this flexibility, HR feels the best option is to enroll in the state plan due to its lower cost, to avoid risk of non-compliance, and to provide time for the County to evaluate this new benefit. After one or more years with this benefit, the County will have data on utilization, claims costs, and the impact on staff administration. This useful information will support analysis and decision making in the future. HR will continue to monitor this benefit when it goes into effect.

PLO is available to employees beginning September 3, 2023. Time is needed provide information to employees about this new leave program and set up internal processes to support it.

As staff receives direction from the Board, we will provide notice of our intentions to implement this law and its program requirements to our unions. HR will provide additional updates and supports to departments and employees as new information is available and as we move toward implementation.

Resource: <https://paidleave.oregon.gov/Documents/Paid-Leave-Oregon-Employer-Guidebook-EN-September-2022.pdf>

**BUDGET IMPACTS:**

FY23 employer costs to enroll in the state plan are estimated at approximately \$216,000, due to the half-year implementation. Annualized employer costs are estimated at \$433,000. The County has budgeted for the employer cost of enrolling in the State plan for FY23.

**ATTENDANCE:**

Kathleen Hinman, Human Resources Director