Model Scenarios Guide: A Statewide Paid Family and Medical Leave Program for Colorado, but at What Cost?

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The recently released CSI report on Proposition 118 estimated the potential costs of the proposed statewide paid leave program on Coloradans. The following tables provide additional results and further explain the differences between the capped vs the un-capped model.

Capped Model Summary

Proposition 118 states that the wage premium rate starts at .9% for 2023 and 2024 and cannot exceed 1.2% of employee wages starting in 2025. Employees cover 50% of the premium and most employers cover the other 50%.

In 2024, the first year of benefit payments, the claims *rate and the average length of leave* ***cannot exceed a 6.2% and 9.5 weeks*** *respectively or the insurance fund will begin to* ***approach insolvency****.*

So long as the premium cap is in effect, in 2025, the level of utilization cannot go above a **claims rate of 7.9% and average length of leave of 10.2 weeks without approaching insolvency**.

The capped model assumes that no further legislative action is taken even if the program costs rise above a level that the revenue from a 1.2% premium can support.

Below are the costs individuals and businesses will face in the first year (2023) of the program and in 2025 if utilization drives the premium to its cap.

Program Costs		
	2023 (Year 1)	**2025 (Year 3)**
	Starting Premium = .9%	Max premium = 1.2%
Total Premiums Collected	$1,294,905,256	$2,238,137,464
Total Employee Premium Paid	$724,914,237	$1,252,954,766
Total Employer Premium Paid	$569,991,019	$985,182,698
Increase In Business Costs Relative to 2019 Corporate Income Taxes	87%	150%
For an Employee Earning $50,000	$225	$300
For an Employee Earning $100,000	$450	$600
Increase in Employee Costs Relative to State Income Tax Rate	9.7%	13%

Un-capped Model Summary

Based upon the experiences of other states with paid leave programs, some of which have high utilization rates despite their benefits being less-generous than those proposed in Prop 118, a version of the model where the premium could actually rise above 1.2% was created. This reflects the possibility that the state legislature could raise the cap if the program's solvency comes under threat, and estimates how high premiums might rise under that condition. Three scenarios were developed in the report and are outlined below.

Utilization Scenarios			
Scenario	**Claims Rate**	**Average Length of Leave**	**Administrative Costs (Share of Total Benefits)**
Low	5%	9	6%
Middle	7%	10	8%
High	9%	11.5	10.6%

2028, or year 5, impacts are shown below across each scenario.

CSI Prop. 118 Modeling Scenarios - 2028 Impact (Year 5)			
Scenario	**Low**	**Middle**	**High**
Premium Rate	.71%	1.12%	1.7%
Total Premiums Collected	$1,324,302,072	$2,097,737,010	$3,174,141,020
Total Employee Premium Paid	$741,371,171	$1,174,355,743	$1,776,948,549
Total Employer Premium Paid	$582,930,901	$923,381,267	$1,397,192,471
Total Benefits Paid Out	$1,158,947,048	$1,802,806,520	$2,665,578,211
Administrative Costs	$69,536,823	$144,224,522	$282,551,290
Increase in Business Costs Relative to 2019 Corporate Income Taxes	89%	141%	213%

Note: Red indicates when the premium is above what Prop 118 statutory language would allow.

Results from the middle scenario are shown across the first 7 years of the program, 2023-2029.

Annual Impacts - CSI Middle Scenario							
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Premium Rate	0.90%	0.90%	1.91%	1.16%	1.13%	1.12%	1.13%
Employee Premiums	$725m	$764m	$1,704m	$1,094m	$1,115m	$1,174m	$1,238m
Employer Premiums	$570m	$601m	$1,339m	$860m	$877m	$923m	$973m
Total Premiums	$1,295m	$1,365m	$3,043m	$1,954m	$1,992m	$2,098m	$2,211m
Annual Cost for Employee Earning $50,000	$225	$225	$478	$290	$283	$280	$283
Increase in Employee Costs Relative to State Income Tax Rate	9.7%	9.7%	20.6%	12.5%	12.2%	12.1%	12.2%
Annual Cost for Employee Earning $100,000	$450	$450	$955	$580	$565	$560	$565
Increase in Business Costs Relative to 2019 Corporate Income Taxes	87%	92%	204%	131%	134%	141%	149%