SB 25-144

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25-144: CHANGE PAID FAMILY MED LEAVE INSURANCE PROGRAM

Prime Sponsors:
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Rep. Willford; Zokaie

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill extends the duration a parent with a child receiving inpatient care in a neonatal intensive care unit may receive FAMLI benefits, and makes changes to premium amounts collected from employees.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- Local Government

Appropriations. No appropriation is required, as the FAMLI Fund is continuously appropriated to the Colorado Department of Labor and Employment.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-$16,699,977	-$35,069,951
State Expenditures	$16,561,510	$18,356,089
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	1.4 FTE	2.0 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
FAMLI Fund	-$16,699,977	-$35,069,951
Total Revenue	**-$16,699,977**	**-$35,069,951**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	$0	$0
FAMLI Fund	$16,684,047	$18,615,296
Federal Funds	$0	$0
Centrally Appropriated	-$122,537	-$259,207
Total Expenditures	**$16,561,510**	**$18,356,089**
Total FTE	**1.4 FTE**	**2.0 FTE**

Summary of Legislation

Extended FAMLI Coverage for NICU

The bill extends by 12 weeks the duration a parent with a child receiving inpatient care in a neonatal intensive care unit (NICU) may receive Family and Medical Leave Insurance (FAMLI) benefits.

FAMLI Premium Calculation

The bill also modifies FAMLI premiums, which are currently set at 0.90 percent of wages per employee. The bill removes the requirement that the premiums be annually adjusted according to a formula that is based on prior year benefits payments, prior year fund balance, and administrative costs. Starting in the 2026 calendar year, the bill sets the premium at 0.88 percent of wages per employee. Each subsequent year, the FAMLI division director is required to set the premium rate so that, at the end of the calendar year for which the rate is effective, the balance of the FAMLI Fund is not less than six months' worth of projected expenditures required for division operations. The volatility of the premium rate must also be minimized and must not exceed 1.20 percent of wages per employee.

Background & Assumptions

FAMLI Overview

The FAMLI program, which is administered by the Department of Labor and Employment (CDLE), provides up to 12 weeks of leave per year for bonding with a new child or caring for a family member with a serious health condition, along with several other types of leave. Most Colorado workers are eligible for FAMLI benefits, calculated on a sliding scale using the individual's average weekly wage from the previous five calendar quarters in relation to the average state weekly wage. FAMLI is an enterprise and its revenue does not count toward the state's revenue limit under TABOR. Currently, employers and employees pay a payroll premium of 0.90 percent, with a minimum of half paid by the employer.

FAMLI Premiums

The fiscal note assumes that the premium would have stayed at 0.90 percent through 2027 under current law, and that the premium will equal 0.88 percent in 2027 under the bill. The fiscal note also assumes that wages subject to the premium will increase by about 5 percent per year, consistent with the LCS December 2024 forecast for Colorado wages and salaries.

FAMLI Benefit Claims and NICU Rates

The FAMLI division received approximately 61,000 parental leave claims in 2024, the first year benefits were available. The fiscal note assumes a claims growth rate of 3.5 percent in 2025 (63,135 claims) and 3 percent in 2026 (65,029). The fiscal note also assumes the current maximum weekly FAMLI benefit of $1,324, however this amount will be adjusted based on the state average weekly wage.

The fiscal note assumes 10 percent of infants are admitted to the NICU and the average length of stay is 14 days. Using the assumed number of parental leave claims above, it is assumed the bill will extend 6,314 claims in FY 2025-26 and 6,503 claims in FY 2026-27 by two weeks. Based on the bill's effective date, FY 2025-26 claims are prorated for 11 months.

State Revenue

The bill decreases revenue to the FAMLI Fund by about $16.7 million in FY 2025-26 and $35.1 million in FY 2026-27 from changes to premium collections, as shown in Table 2. Under the current premium amount of 0.9 percent, revenue is expected to total $1.49 billion in FY 2025-26 and $1.54 billion in FY 2026-27. Under the new premium amount of 0.88 percent that would take effect in January 2026, premium collections will be reduced by an estimated $35.1 million in FY 2026-27, in the first full state fiscal year with the higher premium. Beginning January 2027, the bill requires the FAMLI program to set the premium amount. While the fiscal note assumes the program will maintain the amount of 0.88 percent, actual premiums will vary based on future FAMLI division decision-making and actual claims.

Table 2
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
FAMLI Premiums[1]	-$16,699,977	-$35,069,951
Total Revenue	**-$16,699,977**	**-$35,069,951**

[1] The bill sets the premium amount for the 2026 calendar year at 0.88 percent of wages per employee and requires the FAMLI division to set the premium rate in outgoing years under certain parameters. The fiscal note assumes the FAMLI division will maintain the 0.88 percent rate in FY 2026-27. FY 2025-26 revenue impacts reflect a half-year impact.

State Expenditures

The bill increases state expenditures from the FAMLI fund by an estimated $16.5 million in FY 2025-26 and $18.3 million in FY 2026-27. The bill will also reduce FAMLI premiums for state employees paid by all state agencies by approximately $295,000 in the first full implementation year. These impacts are shown in Tables 2 and described in the sections below.

Table 2
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27
Department of Labor and Employment	$16.7 million	$18.6 million
State Employee FAMLI Premiums	-$147,267	-$294,535
Total Costs	**$16.5 million**	**$18.3 million**

Department of Labor and Employment

The FAMLI division in the CDLE requires additional staff and resources to address the changes in claim eligibility and the number of claims received, as well as to update rules and make system enhancements. The division will begin paying additional benefits on January 1, 2025. All costs are paid from the FAMLI Fund.

Staff

The FAMLI division requires 2.0 FTE for labor and employment specialists to adjudicate additional claims as a result of the bill. One specialist will start in August 2025 to implement the extension, while the other specialist will begin work in January 2026 to adjudicate claims. Capital outlay and standard operating costs are included.

Technology Enhancements

The FAMLI division is preliminarily estimated to require $690,000 in FY 2025-26 for programming work to modify the FAMLI program's claims adjudication system to allow for the additional 12 weeks of FAMLI benefits. These costs should be considered preliminary and may be updated once additional information is available about the scope of work.

Other Workload Impacts and Potential Costs

If the CDLE is responsible for advertising changes to the FAMLI program, an additional $200,000 may be appropriated for digital, television, and radio advertisements. The fiscal note has not included these costs, as they are not essential to the bill's implementation.

FAMLI Benefits

Based on the assumptions outlined above, the FAMLI program will pay an additional $15.9 million in benefits in FY 2025-26 and $18.5 million in FY 2026-27. The fiscal note assumes 11 months of benefits in the first year to reflect the bill's effective date.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2A.

Table 2A
State Expenditures
Department of Labor and Employment

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$78,915	$112,736
Operating Expenses	$1,792	$2,560
Capital Outlay Costs	$13,340	$0
Computer Programming	$690,000	$0
Additional FAMLI Benefits	$15.9 million	$18.5 million
Centrally Appropriated Costs	$24,730	$35,328
Total Costs	**$16.7 million**	**$18.6 million**
Total FTE	**1.4 FTE**	**2.0 FTE**

State Agency Share of FAMLI Premiums

The bill reduces premiums paid by state agencies for state employees by $147,267 in FY 2025-26 (half-year impact) and $294,535 in FY 2026-27, assuming no changes to state employee salaries. These are reflected in the fiscal note as a decrease in centrally appropriated costs, which will be adjusted for state agencies through the annual budget process and statewide compensation common policies; see Technical Note.

Local Government

Similar to the state, the bill reduces expenditures in local governments beginning January 2026 by reducing premiums these governments will pay to the FAMLI program for employees.

Technical Note

The bill requires the FAMLI division to set the upcoming year's premium rate by November 1 of the preceding year. However, if the Department of Personnel and Administration receives the rate on November 1, it would not make it into the DPA's annual budget request for statewide compensation common policies (which includes FAMLI premiums), which is typically finalized in early October. If the deadline were established for September 1 or earlier, the DPA could adjust its budget request to reflect the new premium rate.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to FAMLI leave claimed on or after this date.

State Appropriations

No appropriation is required, as the FAMLI Fund is continuously appropriated to the CDLE to pay the expenses of the FAMLI Program.

State and Local Government Contacts

Labor	Treasury
Personnel	Local Affairs