

Estimate of Fiscal Impact for Proposition 118

State revenue. Proposition 118 is expected to increase state revenue from PFML premiums by approximately \$575.4 million in state budget year 2022-23 (half-year impact) and \$1.2 billion in state budget year 2023-24 (full-year impact). Because of higher-than-usual economic uncertainty, the amount of premiums collected may differ from this estimate. The measure may also increase state revenue from bond proceeds and potentially gifts, grants, or donations to cover program start-up costs beginning in state budget year 2021-22. The timing of when this additional revenue is received will depend on final budget estimates for the program and when revenue bonds are issued.

State spending. Proposition 118 will increase state spending by \$3.2 million in state budget year 2021-22 and \$48.6 million in state budget year 2022-23 to create and administer the PFML insurance program. In state budget year 2023-24, state spending will increase by \$523.9 million to administer the PFML program, pay the employer share of premiums for state employees, and pay PFML benefits to eligible employees in the second half of the year.

Local government spending. Beginning January 1, 2023, local governments that participate in the PFML insurance program, school districts, and other public entities will have increased spending to pay the employer share of premiums for their employees. Local governments will also be required to process payroll deductions, and coordinate leave and benefits for employees. Local governments that decline to participate will not pay premiums, but may still be required to handle premium deductions and coordinate leave and benefits for employees if they have employees that elect to participate in the PFML insurance program.