Designing a State-Level Paid Family and Medical Leave Program

Key policy options for states designing a Paid Family and Medical Leave program

I. Universal contributory social insurance program, exclusive state fund:
One fund into which all workers contribute and out of which all benefits are paid

**Benefits and Challenges:**
- Simplifies administrative complexity
- Spreads risk most broadly
- Reduces discrimination

**Program Funding Options:**
- Payroll tax on employees only
- Payroll tax split between employees and employers
- Payroll tax on employers only

II. Contributory social insurance program with regulated private options

**TWO VARIANTS:**

- **State fund with limited opt-outs:** Vast majority of employers participate in state fund, but may opt out if they meet strict regulatory requirements and provide equal or greater benefits.

- **Hybrid social insurance program with regulated private options:** Employers can purchase private insurance coverage, participate in the state social insurance fund, or self-insure, as long as they offer the statutorily prescribed level and type of coverage and comply with anti-discrimination and other consumer protections.

**Benefits and Challenges:**
- Increases employer choice
- Much higher administrative complexity than exclusive state fund
- Requires robust regulatory mechanisms

**Program Funding Options:**
- Payroll tax on employees only
- Payroll tax split between employees and employers
- Payroll tax on employers only
- Employee premiums for private plan coverage
- Fully employer-sponsored coverage

III. Employer mandate: State requires that employers provide paid leave benefits directly to their workers

**Benefits and Challenges:**
- High cost burden on employers
- Challenging to regulate
- Increases risk of employment discrimination against people perceived as likely to need leave (e.g., women of child-bearing age, people with disabilities, older workers)

**Program Funding Options:**
- Employee premiums for private plan coverage
- Fully employer-sponsored coverage

*(paid medical leave only)