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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Billing

Legislative Budget  
Office

**S.B. 396**  
**136<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 396's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Sens. Blessing and Liston

**Local Impact Statement Procedure Required:** Yes

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### **Highlights**

- The Ohio Department of Job and Family Services (ODJFS) will realize significant start-up and ongoing costs to establish the Family and Medical Leave Insurance Program, including information technology costs, legal services, and additional staff to process and investigate claims and answer inquiries from the public.
- The rates charged to employees are to be determined based on sound actuarial principles and will vary depending on a number of factors including the size of the program, the anticipated utilization rate, and the weekly benefit amounts. The amount of benefits paid out will depend on the number of individuals choosing to take leave, the number of those approved, the individual's wage, and the number of weeks leave is taken.
- State and local government employers with 15 or more employees will incur substantial ongoing costs for paying one-half of the total premium rate for each employee beginning January 1, 2028. There will also be administrative, compliance, and possible additional staffing adjustment costs depending on employee usage of this new leave benefit.
- ODJFS will realize administrative costs to develop and implement a public education program to educate the public about the Family and Medical Leave Insurance Program.

### **Detailed Analysis**

The bill creates the Family and Medical Leave Insurance Program to provide family and medical leave insurance benefits to individuals. The bill allows an individual to receive benefits to address the individual's serious health condition, bond with a new child or prepare for the child's adoption or foster care placement, address certain issues related to a family member's military deployment, or care for a family member. Any paid leave under this bill must be taken

concurrently with leave under the federal Family and Medical Leave Act (FMLA).<sup>1</sup> Funding for the program benefits comes from premiums deducted from employees' wages and remitted to the Ohio Department of Job and Family Services (ODJFS). The cost of premiums, which will not be part of the state treasury, will be determined based on sound actuarial principles.

## **Program establishment and operation**

The bill requires ODJFS to establish and administer the Family and Medical Leave Insurance Program. ODJFS is required to adopt several rules regarding procedural matters for the administration of the program. Additionally, ODJFS is permitted to adopt additional rules the Director considers necessary for the administration and enforcement of the program.

ODJFS would incur start-up and ongoing costs, which would likely include information technology costs, legal services, and likely additional staff to process and investigate claims and answer inquiries from the public. Once the program was operating there would be costs for appeals. The extent of these costs is indeterminate at this time. However, based on the experiences of other states (see below) and Ohio's population, the costs would be significant.

### **Family and medical leave programs in other states**

Other states that have considered legislation to create family and medical leave programs include costs that vary widely depending on a number of factors including the size of the state and program. In addition, the costs varied depending on whether the state had an existing program, such as a temporary disability program, that could be modified to include family and medical leave benefits. A couple examples from other states are provided.

Maryland passed a law in 2022 implementing the Family and Medical Leave Insurance (FAMLI) Program. During the bill's deliberation, the total costs in FY 2023 were estimated to be around \$19.7 million.<sup>2</sup> Of this estimated amount, IT costs would be about \$6.2 million, full-time staff costs for 85 employees would be about \$3.3 million, contractual salaries and benefits for 20 positions would be about \$545,000, and the remainder would be for other operating expenses and biennial studies. After the program was fully operational, additional claims processors would be needed.

Additionally, the U.S. Department of Labor has a study, on its website, regarding the administrative costs of establishing a state-paid family and medical leave program.<sup>3</sup> This study was published in January 2021. It looked at estimated and, in some instances, actual costs for states that had already established a program. According to the study, estimated start-up costs varied from \$5.4 million in Vermont to \$60.0 million in Minnesota. Additionally, the number of anticipated staff also varied significantly (from 27 in Nebraska to 99 in Connecticut). The study

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<sup>1</sup> FMLA provides employees working for companies with 50 or more employees, along with state and local governments, job protection for taking up to 12 weeks of unpaid leave for a personal medical condition, for the birth and care of a newborn child, for placement of a child for adoption or foster care, or to care for an immediate family member.

<sup>2</sup> See the Maryland Department of Legislative Services' [Fiscal and Policy Note for S.B. 275 for Session Year 2022 \(PDF\)](#).

<sup>3</sup> See U.S. Department of Labor, [A Review of the Administrative Costs of Establishing a State Paid Family and Medical Leave Program \(PDF\)](#).

stated that Washington's actual start-up costs were much higher than their projected costs (\$13.0 million versus \$82.0 million) primarily due to IT costs. Additionally, actual ongoing costs in 2015 varied considerably from \$7.5 million in Rhode Island, \$32.5 million in New Jersey, and \$238.6 million in California. For FY 2025, Washington had about \$77.0 million in operating and implementation costs. The number of claims varied from over 48,000 in Rhode Island, 144,000 in New Jersey, and 932,000 in California. The differences in costs between these states are dependent on many factors, including to the number of claims processed, complexity of program rules, number of denials, appeals, etc. Actual costs to establish this program in Ohio will depend on a number of factors and would differ depending on the different leave requirements and eligibility criteria.

## **Premiums and benefits**

All premiums and contributions received under the program, as well as any other revenues, will be deposited into the Family and Medical Leave Insurance Fund, which the bill creates in the custody of the Treasurer of State. Additionally, the bill requires ODJFS to establish a premium rate to assure the solvency of the Family and Medical Leave Insurance Fund by October 31, 2027, and beginning with calendar year 2031, determine the premium rate each year in accordance with the bill's requirements to ensure the fund's solvency. Employers will be required to deduct and withhold premiums from employees' wages beginning January 1, 2028, by applying 50% of the premium rate to the wage, and the program will begin dispensing benefits January 1, 2029, to individuals. The bill requires an employer with 15 or more employees to remit a premium to the Director that is equal to the employee premium for each of its employees. The bill assesses a penalty against an employer that fails or refuses to remit premiums equal to the sum of 1% of the employer's annual payroll for each year the employer failed or refused to remit premiums and the amount of benefits paid to employees for whom the employer failed or refused to remit premiums. The bill requires ODJFS to adjust the penalty amount each year, starting in 2029.

The bill allows an eligible individual to receive a weekly benefit amount that is 85% of the individual's average weekly wage<sup>4</sup> earned from the job from which the individual is taking leave or during an unemployed individual's base period, with a maximum weekly benefit equal to 90% of the statewide average weekly wage. The weekly benefit amount is to be proportional to the number of hours worked at the job from which the individual is taking leave. Individuals are permitted to receive a maximum of 18 weeks of benefits during an application year, except the individual may only receive 14 weeks of benefits for any one permitted reason. The bill requires ODJFS to reduce an individual's weekly benefit amount by the amount of any unemployment benefits or workers' compensation benefits (other than permanent partial disability benefits) the individual is receiving, and prorate an individual's weekly benefit amount if the individual is taking leave on an intermittent schedule. Under the bill, an independent contractor, sole proprietor, partner, or joint venturer may elect coverage by filing a notice to the Director with an initial period of coverage lasting at least three years. If one of these individuals elects coverage, they are required to remit premiums to the Director by applying 50% of the premium rate to the individual's wages. In both cases, the rate of participation will impact the cost of premiums. It also allows an employer

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<sup>4</sup> The bill defines "average weekly wage" as the sum of an employee's wages for all qualifying weeks during the calendar quarter with the highest wages in the employee's base period, divided by 13.

to apply to ODJFS for approval to provide benefits directly to eligible employees if the employer satisfies certain requirements. In these instances, ODJFS will determine the costs to provide these benefits and the applicable employer will reimburse that amount.

The bill establishes procedures for appeals and the collection of overpayments.

### **Premium rates and benefit amounts**

The rates charged to employees will be determined based on sound actuarial principles. However, based on the amounts charged by other states, this could vary depending on a number of factors including the size of the program, the anticipated utilization rate, and the weekly benefit amounts. Taking into consideration the size of Ohio and its annual payroll, the premiums collected would be significant. It is important to note that any premiums collected will be outside the state treasury and not be subject to appropriation.

As stated above, an eligible individual will generally receive a weekly benefit amount that is 85% of the individual's average weekly wage. However, the maximum weekly benefit will be equal to 90% of the statewide average weekly wage. In 2026, the statewide average weekly wage is \$1,281,<sup>5</sup> so an individual could receive up to \$1,153 per week. Individuals receive a maximum of 18 weeks of benefits during an application year (up to 14 weeks of benefits for any one permitted reason though). As a result, individuals receiving leave insurance benefits could receive up to about \$20,750 per application year if the individual received the full 18 weeks or up to about \$16,140 per year for 14 weeks. The total amount of leave insurance benefits paid out will depend on the number of individuals choosing to take leave, the number of those approved, the individual's wage, and the number of weeks leave is taken.

### **Premium rates in other states**

Paid family and medical leave premiums in other states vary. For instance, the contribution rate in Massachusetts is 0.88% of eligible wages for employers with over 25 covered employees.<sup>6</sup> For FY 2025, Massachusetts approved about 203,000 applications for approximately 130,000 unique individuals.<sup>7</sup> The average weekly benefit was about \$866 and a total of \$1.24 billion benefits were paid out. Washington state has a premium rate of 1.13% for 2026 – in 2025 it was 0.92%.<sup>8</sup> In FY 2025, Washington had about 270,000 approved claims and 213,000 employees with at least one approved claim. In all, there were about \$2.00 billion of total benefits approved. The average weekly benefits amount was \$1,045.

In terms of comparison of statewide payroll, the federal Bureau of Labor Statistics estimated in May 2025, that Ohio had an employment of 5.6 million workers earning a mean annual wage of about \$64,400 (annual estimated payroll of \$360.64 billion).<sup>9</sup> Massachusetts had employment of 3.6 million workers earning a mean annual wage of about \$85,600. Washington

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<sup>5</sup> See the [BWC Compensation Chart \(PDF\)](#).

<sup>6</sup> See the [Paid Family and Medical Leave employer contribution rates and calculator](#).

<sup>7</sup> See the [FY 2025 Annual Report for the Massachusetts PFML Program \(PDF\)](#).

<sup>8</sup> See the [Washington Paid Family & Medical Leave Report \(PDF\)](#).

<sup>9</sup> See the U.S. Bureau of Labor Statistics' [State Occupational Employment and Wage Estimates](#).

state had a similar employment of 3.6 million workers earning a mean annual wage of about \$83,300.

### **Possible reduction in state income tax collections**

Benefits paid under the bill are not subject to state income tax but may be subject to federal income tax, if the Internal Revenue Service deems them taxable. Exempting the benefits from the state income tax generally does not create a meaningful fiscal effect because no tax revenue is currently being taken from benefits as none are being disbursed.

The bill specifies that paid family and medical leave insurance benefits are not subject to Ohio income tax, and any state revenue impact arises only indirectly (for example, if current employer-paid programs are reduced and associated benefits paid under these programs, which are taxable today, shift to nontaxable state benefits). The magnitude of such substitution is uncertain. However, some private and public employers currently offer paid leave for the birth or adoption of a child; if these employers were to suspend their paid parental leave programs in favor of directing employees to the program established in this bill, the state would lose income tax revenue. A brief search of public universities that offered paid leave for birth or adoption revealed that the Ohio State University offers six weeks, Ohio University offers six weeks, and the University of Akron offers four weeks. All of the income received through these programs, or any similar programs, are subject to federal and state income taxes.

This reduction in state income tax collections may have a fiscal effect on municipalities, townships, and counties. State government shares a percentage of general tax revenue with local governments through the Local Government Fund (LGF, Fund 7069). If state income tax collections fall as a result of the bill, the LGF revenue share will fall as well. Nationally, the U.S. Bureau of Labor Statistics estimated in 2023 that 27% of workers had access to some form of paid family leave.<sup>10</sup> However, without knowing how many employers would opt out of the program, it is difficult to estimate the size of any reduction in collections.

### **State and local government costs**

The bill requires state and local government employers with 15 or more employees to remit one-half of the total premium rate for each employee, creating a new ongoing payroll cost for these employers beginning January 1, 2028. The premium rate will be determined through the actuarial evaluation described earlier and adjusted annually thereafter to ensure the solvency of the Family and Medical Leave Insurance Fund. Because the premium rate depends on program usage and fund experience, the fiscal impact on public employers cannot be precisely estimated.

However, experience in other states provides a useful point of reference. In Washington, for example, total approved benefits for FY 2025 were approximately \$2.0 billion. If Ohio's benefit payouts reached a similar annual amount, employer and employee premiums together would need to total at least that amount, and likely more, to cover both benefits and administrative costs. Under the bill's required 50/50 employer-employee split, public employers collectively would be responsible for roughly half of total premium collections.

Assuming public sector workers represent approximately 15% of Ohio's total workforce, public employers' share of the employer-paid premiums under a \$2.0 billion benefit scenario

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<sup>10</sup> See the U.S. Bureau of Labor Statistics, [What data does the BLS publish on family leave?](#).

would be on the order of \$150 million per year statewide. Of this amount, roughly one-quarter to one-third would fall on state agencies (approximately \$35 million to \$50 million), with the remainder borne by political subdivisions (approximately \$100 million to \$115 million). These figures are illustrative and are intended only to convey the likely order of magnitude based on other states' experience; actual costs in Ohio will depend on the premium rate set by the Director of Job and Family Services and on employee participation.

In addition to premium payments, state and local governments will incur administrative costs to modify payroll systems to withhold and remit premiums, train staff, comply with notice requirements, and track and administer leave. These costs may include both one-time IT upgrades and ongoing administrative workload.

Finally, if paid family and medical leave results in increased employee leave usage compared to current practice, public employers may face additional costs to maintain operations. These may include overtime payments to remaining staff, hiring temporary or substitute workers, or adjusting staffing levels to cover extended absences of up to 14 or 18 weeks, depending on leave type. The extent of these operational costs will vary by employer and cannot be quantified.

## **Other provisions**

The bill requires the ODJFS Director to develop and implement a public education program to educate the public about the Family and Medical Leave Insurance Program, resulting in an increase in costs. ODJFS may use up to 5% of the funds available at the first day of each year from the Family and Medical Leave Fund to implement this program. ODJFS shall develop a program notice in English, Spanish, and any other language spoken by more than 3% of the state's population and employers are required to post and provide this notice to its employees. Any employer that fails to do so will be fined \$250 per employee for each day the employer fails to provide or post the notice. These fines will be deposited into the Family and Medical Leave Fund.

The bill also requires the ODJFS Director to submit an annual report to the General Assembly no later than April 1, 2030, and every year thereafter. ODJFS could realize a minimal increase in administrative costs to complete this report.