



# Paid Family and Medical Leave Program

## Legislative Auditor's conclusion

Paid Family and Medical Leave (PFML) program expenses are likely to continue exceeding revenues in future years. Changes to the rate formula could make the program more stable and promote financial sustainability.

### Key points

- ESD has collected \$4.5 billion in premiums and paid \$4.2 billion in benefits on more than 700,000 claims through December 2023.
- The premium rate formula in statute does not produce enough revenue to cover program expenses.
- ESD forecasts the program will have a negative balance for portions of 2025 and 2026.
- JLARC's consulting actuary recommends using a forward-looking rate-setting approach and maintaining a financial reserve.
- ESD has implemented essential parts of the program. However, it needs to address project prioritization, employer audits, and customer service timeliness to meet best practices.

### Recommendations

1. The Legislature should implement a forward-looking rate-setting approach that maintains a sufficient financial reserve for the paid leave program.
2. ESD should adopt criteria for its compliance audit program.
3. ESD should adopt quantifiable customer-oriented performance measures for claims processing and call center management.
4. ESD should develop a documented and transparent process for prioritizing projects.

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**Full Report**  
[leg.wa.gov/jlarc/AuditAndStudyReports](http://leg.wa.gov/jlarc/AuditAndStudyReports)

## PFML program offers paid time off to public and private employees

Employees may claim 12-18 weeks of paid leave for:

- A serious health condition that prevents them from working.
- To care for a family member.
- To bond with a new baby or child.
- Certain military-related events

The Employment Security Department (ESD) administers the program. Since the program started:

- \$4.2 billion has been paid in benefits
- 700,000 applications have been approved
- Benefit applications increased by an average of 15% each year.

### The premium rate formula in statute has not produced enough revenue to cover program expenses

PFML premiums are calculated based on a formula set in statute. Employees and employers pay premiums to fund the leave benefits.

**JLARC's consulting actuary projects that expenses will continue to exceed revenue**

*dollars in millions*

	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Revenue</b>	\$678	\$701	\$1,109	\$1,635	\$1,750	\$2,318	\$2,348	\$2,398	\$2,560
<b>Expenses</b>	(\$665)	(\$959)	(\$1,258)	(\$1,538)	(\$1,846)	(\$2,014)	(\$2,203)	(\$2,408)	(\$2,629)
<b>Net income</b>	\$13	(\$258)	(\$149)	\$97	(\$96)	\$304	\$145	(\$10)	(\$69)

### JLARC's consulting actuary recommends updating the rate setting formula

#### The current statutory rate formula

- Relies solely on financial information from the previous year to set rates for the next year.
- Does not have a way to ensure a three-month reserve fund sufficient to cover financial shortfalls.

#### JLARC'S ACTUARIAL CONSULTANT SUGGESTS

- **Use a forward-looking rate-setting approach**  
Actuarial best practices recommend setting rates based on anticipated future revenues and benefit costs.
- **Maintain a reserve fund sufficient to cover shortfalls**  
For example, a reserve floor can adjust rates to maintain the target reserve fund balance.

### ESD has yet to fully implement the paid leave program. Its process for selecting projects should be more transparent.

- ESD successfully developed the core functions of the program.
- It has yet to implement nine statutory requirements, including automation that would protect the state from overpaying benefits.
- Parts of ESD's process for prioritizing technology projects lack documented procedures and criteria.

### ESD does not follow best practices for employer compliance audits

- ESD audits employers to determine if they are properly reporting premiums and maintaining accurate records.
- Since 2021, ESD has completed 201 of the 801 audits it assigned. ESD completed 169 employer audits in 2023; of those, 96% led to corrections.

### ESD has not provided timely customer service

**Application and claim processing:** Between Jan. 2022 and June 2024 ESD approved employee applications within three weeks (ESD's goal) in 16 of the 30 months.

**Call center:** In 2022, ESD received about 47,000 calls about PFML per month. Through the first half of 2024, it received 78,000 calls per month. When call volume is high, the system automatically disconnects the call.

