



California SDI and PFL Benefits Set to Increase January 1, 2018

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On the heels of the new [San Francisco Paid Parental Leave](#) ordinance passed by the Board of Supervisors two weeks ago, Governor Jerry Brown last week signed [AB 908](#) into law increasing the benefits paid out under California's State Disability Insurance (SDI) and Paid Family Leave (PFL) programs as of 2018.

Current Benefit Levels

The current SDI and PFL programs pay a 55% wage replacement weekly benefit ranging from a minimum of \$50 per week to a maximum of \$1,129/per week in 2016. There is a seven day waiting period to receive benefits under both the SDI and PFL programs (although the PFL waiting period is waived for new mothers transitioning from SDI to PFL).

Increased 2018 Benefit Levels

AB 908, which takes effect **January 1, 2018**, makes two major changes to the SDI and PFL programs:

- 1) Increases the wage replacement rates for SDI and PFL **from 55% to:**
 - **Seventy Percent (70%):** Individuals who earned less than **one-third of the state's average quarterly wage** during the base period (prior four quarters); OR
 - **Sixty Percent (60%):** Individuals who earned **one-third or more of the state's average quarterly wage** during the base period (prior four quarters).
- 2) Eliminates the one-week waiting period for PFL claims (but not for SDI claims).

The maximum weekly benefit, which is currently capped at weekly wages based on an annual salary of \$106,740 in 2016, will remain in place.

Funding the Increase

SDI and PFL claims are paid from the state's Disability Insurance Fund, which is funded by employee contributions ranging from 0.1% to 1.5% of wages (set annually pursuant to a solvency formula). The 2016 contribution rate is 0.9% of wages.

EDD estimates a 0.1% increase to the worker contribution rate from 2019 to 2021 to fund the increased benefit levels. This projection assumes no change to the current program utilization rate. However, the stated purpose of the bill is to increase utilization, particularly among lower wage earners who in some cases cannot afford to receive 55% of pay during the leave period (the current SDI and PFL utilization rates are much lower among lower paid workers). This suggests the potential for a contribution rate increase greater than 0.1%.

2022 Sunset Provision

The SDI and PFL benefit increases in AB 908 that take effect in 2018 are scheduled to expire after a four-year trial run concluding at the end of 2021. EDD will report to the California Legislature by March 1, 2021 on the effects of AB 908, at which point the Legislature will determine whether to extend or modify the changes into future years (or simply let them sunset as scheduled).

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