



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 12, 2000

### **H.R. 4567** **Federal Employees Paid Parental Leave Act of 2000**

*As introduced on May 25, 2000*

#### **SUMMARY**

H.R. 4567 would amend title 5 of the United States Code, Government Organization and Employees, by creating a new category of leave under the Family and Medical Leave Act of 1993 (FMLA). This leave would be available to federal employees who give birth to, adopt, or foster a child.

Under current law, federal employees who give birth to, adopt, or foster a child are entitled to up to 12 weeks of leave without pay. Upon return from FMLA leave, an employee must be returned to the same position or to an "equivalent position with equivalent benefits, pay, status and other terms and conditions of employment." Employees may get paid during that 12-week period by using any annual or sick leave that they have accrued.

This bill would create a new category of paid leave provided expressly for the birth, adoption, or fostering of a child. Employees would be entitled to up to six weeks of paid leave applicable only within the 12-week FMLA leave period.

CBO estimates that implementing H.R. 4567 would cost about \$95 million in 2001, and a total of about \$1 billion over the 2001-2005 period. H.R. 4567 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 4567 is shown in the following table. The cost of this legislation would fall in all budget functions (except function 900).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	103	215	223	232	240
Estimated Outlays	95	214	223	232	240

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 4567 would be enacted by October 1, 2000, and that necessary amounts for implementing it will be appropriated each year. Pursuant to the legislation, the new category of leave would become available six months after enactment (i.e., around April 1, 2001). The cost of the legislation in 2001, therefore, reflects implementation for only half the year. After 2001, costs are projected to grow with inflation.

CBO assumes that the potential users of the new leave would be primarily the 730,000 civilian employees who are between the ages of 20 and 45. (This figure excludes employees of the Postal Service because H.R. 4567 would amend title 5 of the United States Code, which does not apply to them.) According to the Office of Personnel Management (OPM), the average salary of the 350,000 women in this group is \$43,200. Thus, six weeks of paid leave—the maximum amount provided by the bill—would cost, on average, about \$5,000 per female employee.

According to information from the Population Reference Bureau and the National Center on Health Statistics, the birth rate for women in this age range in a given year is 6.99 percent. Adding an adoption factor based on information from the National Center on Health Statistics raises the likely utilization rate to 7.24 percent. Applying that rate to the women eligible for the new leave yields about 25,300 women who might give birth or adopt in a given year. Assuming that each of these women would take the maximum amount of leave, CBO estimates the value of the leave to be about \$126 million in the first year (if it were available for the entire 12-month period).

The leave would also be available to men. The 380,000 men in the age group earn an average salary of \$50,800. Six weeks of paid leave would cost, on average, about \$5,800 per male employee taking the maximum amount. CBO could find no reliable statistics, however, linking female birth rates to the rate at which men might father or adopt a child. If those men experienced the birth and adoption rates above, roughly 27,500 men would be eligible for the leave. Assuming that eligible men would take the leave at about one-half the rate of women, CBO estimates that men would use another \$80 million worth of leave in the first

year (if it were available for the entire 12-month period), bringing the total to \$206 million in 2001. Because the leave is not available until six months after the date of enactment, the 2001 costs would be about half that amount, or \$103 million.

The estimated cost of the bill could be incurred by agencies in a number of ways: an increase in payments to employees who would substitute paid leave for unpaid leave, an increase in the amount of leave used at the time of birth or adoption, and the substitution by employees of the new parental leave for accrued sick or annual leave (which employees could then use at another time). The first component would result in additional expenditures. The others might or might not, depending, in each case, on the extent to which individuals would use other leave and on how the agencies would compensate for their absence. CBO has no basis for estimating the magnitude of the various components of the bill's cost, but the amount of cost realized in any given year would be lower than shown in the table if there is a significant amount of substitution of new parental leave for accrued sick or annual leave. In that case, the cost of using the accrued leave would be postponed—perhaps to a later year.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

#### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 4567 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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