CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 11, 2009

H.R. 626
Federal Employees Paid Parental Leave Act of 2009

As ordered reported by the House Committee on Oversight and Government Reform on May 6, 2009

SUMMARY

H.R. 626 would amend title 5 of the United States Code, the Congressional Accountability Act, and the Family and Medical Leave Act of 1993 (FMLA) by creating a new category of leave under FMLA. This new category would provide four weeks of paid leave to federal employees following the birth, adoption, or fostering of a child. In addition, the legislation permits the Office of Personnel Management (OPM) to increase the amount of paid leave provided to a total of eight weeks based on the consideration of several factors such as the cost to the federal government and enhanced recruitment and retention of employees.

Under current law, federal employees who have completed at least 12 months of service are entitled to up to 12 weeks of leave without pay after the birth, adoption, or fostering of a child. 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. The leave provided by this bill would be available only within the 12-week FMLA leave period.

CBO estimates that implementing H.R. 626 would cost $67 million in 2010 and a total of $938 million over the 2010-2014 period, subject to appropriation of the necessary funds. Enacting H.R. 626 would not affect direct spending or receipts.

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. 626 is shown in the following table. The costs of this legislation would fall in all budget functions (except functions 900 and 950).

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	69	215	219	221	224	947
Estimated Outlays	67	209	218	221	223	938

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 626 will be enacted by October 1, 2009, and that the necessary amounts for implementing it will be appropriated each year. Under the legislation, the new category of leave would become available six months after enactment (that is, around April 2010). As a result, the cost of the legislation in 2010 reflects implementation for only half of the year. After 2010, CBO has included in its estimate a 50 percent probability that OPM will use its authority to increase the amount of paid leave available from four weeks to eight weeks. Costs in future years are projected to grow with inflation.

CBO assumes that the potential users of the new leave would be primarily the roughly 700,000 civilian employees who are between the ages of 20 and 44 and have been employed at least 12 months. (This figure excludes employees of the Postal Service because H.R. 626 amends title 5 of the United States Code, which does not apply to them.)

Estimating an adoption rate based on data from the Department of Health and Human Services and applying birth rate information for the relevant age cohorts from the National Center on Health Statistics to the roughly 313,000 women eligible for the new leave yields about 17,800 women who might give birth or adopt in a given year. Based on average salary information from OPM, CBO estimates that four weeks of paid leave—the maximum amount guaranteed by the bill—for female employees would cost between $2,800 (for those in the youngest age cohort) and $5,400 (for those in the 40-44 age cohort). Assuming that nearly all of those women took the maximum amount of leave, CBO estimates the cost of the leave to be $77 million this year (if it were available for the entire 12-month period).

Applying those same calculations to the 390,000 men in the affected age groups, CBO estimates that roughly 24,000 men would be eligible for the four weeks of paid leave, at an average cost of between $3,100 and $6,000 per male employee. Assuming that eligible men would take the leave at about one-half the rate of women, CBO estimates that men would use another $54 million worth of leave this year (if it were available for the entire 12-month period), bringing the total to $130 million.

Since CBO assumes that the new leave would not be available until half-way through fiscal year 2010, there would be no costs for 2009 and the 2010 costs would represent only six months of the year, totaling $67 million. Beyond 2010, CBO assumes a full year of availability and has included a 50 percent probability that OPM would increase the amount of paid leave available to employees. As a result, anticipated costs increase to $209 million in 2011. (The 2011 costs would be about $140 billion if the benefit were kept at a maximum of four weeks.)

The effects of this bill on the budget derive from the provision of a new form of paid leave. To the extent that such a new benefit enables people to take advantage of paid leave rather than taking leave without pay, the costs are clear. However, employees who would currently use annual or sick leave upon the birth, adoption, or fostering of a child may choose to use this new form of paid leave and save their accrued leave for a later date. CBO has no basis for estimating the magnitude of such substitution, but the deferral of annual and sick leave also represents a cost either in terms of increased availability of paid leave or cash payments upon separation.

In addition, providing a more generous benefit to employees may enhance the federal government's ability to retain employees after the birth or adoption of a child and thereby lower recruitment and training costs. CBO estimates that such potential savings are likely to be relatively small over the next five years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 626 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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