Congressional Budget Office
Cost Estimate

September 15, 2021

At a Glance

H.R. 564, Comprehensive Paid Leave for Federal Employees Act

As ordered reported by the House Committee on Oversight and Reform on July 20, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	0	3,652	49
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	3,652	49
Spending Subject to Appropriation (Outlays)	0	16,144	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	< $5 billion	Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

The bill would

- Expand the types of paid leave available under the Family and Medical Leave Act of 1993 (FMLA)
- Make most veterans who are federal employees eligible for FMLA leave at the time they are hired
- Grant paid parental leave to federal employees who lose a child they are expecting
- Extend paid FMLA leave to Postal Service (USPS) employees and allow certain employees of the District of Columbia's court system and Public Defender System to use paid FMLA leave

Estimated budgetary effects would mainly stem from

- Increased authorizations of appropriations to provide the additional leave
- Higher annuity payments to future retirees who use the newly available FMLA leave rather than regular sick leave before leaving the federal workforce
- Changes in USPS's operating expenses

Areas of significant uncertainty include

- Estimating the amount of new leave that federal workers would use and how much would be substituted for sick leave
- Predicting the timing of USPS outlays related to the new leave entitlements

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 564 would provide up to 12 additional weeks of paid leave to federal employees for most purposes covered by the Family and Medical Leave Act of 1993 (FMLA), beginning six months after enactment. In addition, the bill would change FMLA eligibility rules for certain employees and would provide 12 weeks of paid parental leave to employees who lose an expected child. The bill also would require the Postal Service (USPS) to provide paid leave for all purposes covered under FMLA, including parental leave, which was first made available to most other federal employees by the National Defense Authorization Act for Fiscal Year 2020.

Estimated Federal Cost

The estimated budgetary effects of H.R. 564 are shown in Table 1. Spending subject to appropriation falls within all budget functions that contain appropriations for salaries and expenses. The direct spending costs fall within budget functions 370 (commerce and housing credit) and 600 (income security).

Table 1.
Estimated Budgetary Effects of H.R. 564

	By Fiscal Year, Millions of Dollars												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
Increases in On-Budget Direct Spending													
Estimated Budget Authority	0	*	*	1	2	3	5	6	8	11	13	6	49
Estimated Outlays	0	*	*	1	2	3	5	6	8	11	13	6	49
Increases or Decreases (-) in Off-Budget Direct Spending													
Estimated Budget Authority	0	375	777	803	831	860	889	918	948	978	-7,380	3,646	0
Estimated Outlays	0	375	777	803	831	860	889	918	948	978	-7,380	3,646	0
Increases in On-Budget Spending Subject to Appropriation													
Estimated Authorization	0	1,681	3,483	3,593	3,723	3,853	n.e.	n.e.	n.e.	n.e.	n.e.	16,333	n.e.
Estimated Outlays	0	1,597	3,394	3,588	3,717	3,847	n.e.	n.e.	n.e.	n.e.	n.e.	16,143	n.e.
Increases in Off-Budget Spending Subject to Appropriation													
Estimated Authorization	0	*	*	*	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	1	n.e.
Estimated Outlays	0	*	*	*	*	*	n.e.	n.e.	n.e.	n.e.	n.e.	1	n.e.

n.e. = not estimated; * = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted before the end of calendar year 2021. The estimated costs for providing additional paid leave reflect the compensation federal agencies would pay to employees who are on leave and thus not working.

Background

Under current law, FMLA permits most federal employees (including those working for the Postal Service) to take up to 12 weeks of unpaid, job-protected leave during a 12-month period for reasons that include an employee's own serious health condition, the need to care for a family member with a serious medical condition, or the birth or adoption of a child. FMLA generally allows employees to use accrued paid annual or sick leave in place of unpaid FMLA leave. (Federal employees who are new parents may substitute paid parental leave for unpaid FMLA leave without a charge against their annual or sick leave balance.) Most workers are eligible for unpaid FMLA leave after one year of employment.

H.R. 564 would provide 12 weeks of paid leave for any purpose covered under FMLA. The bill would allow federal employees to use paid FMLA medical leave instead of sick leave for their own serious medical condition or take paid caregiving leave for a family member with a serious medical condition. Veterans with more than one year of military service would be immediately eligible for paid and unpaid FMLA leave when they take a federal job. Up to 12 weeks of paid parental leave would be extended to federal employees who lose a child they had been expecting. In addition, H.R. 564 would require USPS to provide paid medical, caregiving, and parental leave that employees could substitute for unpaid FMLA leave.

Spending Subject to Appropriation

CBO estimates that H.R. 564 would increase authorizations for federal salaries and expenses by $16.3 billion over the 2022-2026 period. Assuming appropriation of those amounts, CBO estimates that the bill would cost $16.1 billion over that period (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 564

	By Fiscal Year, Millions of Dollars						
	2021	2022	2023	2024	2025	2026	2021-2026
Expand Paid FMLA Leave							
Estimated Authorization	0	1,640	3,390	3,500	3,630	3,750	15,910
Estimated Outlays	0	1,558	3,303	3,495	3,624	3,744	15,724
Provide Paid FMLA Leave to Certain Veterans							
Estimated Authorization	0	40	90	90	90	100	410
Estimated Outlays	0	38	88	90	90	100	406
Provide Leave to Parents for the Loss of an Expected Child							
Estimated Authorization	0	1	3	3	3	3	13
Estimated Outlays	0	1	3	3	3	3	13
Postal Regulatory Commission (Off-budget)[a]							
Estimated Authorization	0	*	*	*	*	*	1
Estimated Outlays	0	*	*	*	*	*	1
Total Changes							
Estimated Authorization	0	1,681	3,483	3,593	3,723	3,853	16,334
Estimated Outlays	0	1,597	3,394	3,588	3,717	3,847	16,144

Components may not sum to totals because of rounding; FMLA = Family and Medical Leave Act; * = between zero and $500,000.

a. Spending by the Postal Regulatory Commission is classified as off-budget.

Expand Paid FMLA Leave. CBO estimates that under H.R. 564, the federal government would pay $15.7 billion to employees on medical or caregiving leave over the 2022-2026 period. Based on a Department of Labor (DOL) survey of the use of FMLA leave and information about state programs providing similar benefits, CBO estimates that about 6 percent of federal employees would use an average of 7 weeks of medical leave and that about 2 percent of federal employees would use an average of 7 weeks of caregiving leave each year. According to data from the Office of Personnel Management (OPM), at least 2.2 million federal employees would be eligible for the new leave. On average, those employees' salaries are about $90,000. After accounting for the cost of benefits, CBO estimates that, in total, the federal government would pay employees on medical or caregiving leave $1.6 billion in 2022. That amount would rise to $3.3 billion in 2023 and rise with expected increases in federal pay thereafter.

Provide Paid FMLA Leave to Certain Veterans. Enacting H.R. 564 also would provide paid FMLA leave to most new employees who previously served in the armed forces. (Under current law, those employees typically must wait a year to become eligible for FMLA leave.) Using data from OPM, CBO estimates that about 60,000 people whose annual salaries are $60,000, on average, would become newly eligible for FMLA leave. CBO expects that those veterans would have the same rates of use for medical and caregiving leave as described above. On that basis, and using data on birth rates from the Centers for Disease Control and Prevention (CDC) to estimate how many of those employees would use parental leave, CBO estimates that those employees would be paid $410 million over the 2022-2026 period for leave made available under the bill.

Provide Leave to Parents for the Loss of an Expected Child. In addition, H.R. 564 would extend paid leave to expecting parents who lose a child. Using information from CDC, CBO determined that each year about 2,000 federal employees lose a child they are expecting from pregnancy, assisted reproductive technology, adoption, or surrogacy. Using data from DOL on women and men who used FMLA leave for a miscarriage or stillbirth, CBO estimates that affected women would use a substantial portion of the new leave although most men would not. Ultimately, CBO estimates, new leave taken under this provision would cost $13 million over the 2022-2026 period.

Postal Regulatory Commission. CBO estimates that providing paid FMLA leave to employees of the Postal Regulatory Commission would cost about $1 million over the 2021-2026 period. Such spending is subject to appropriation from the off-budget Postal Service Fund and is recorded as off-budget discretionary spending.

Direct Spending

The bill would increase direct spending by $49 million over the 2022-2031 period by increasing the annuities of future federal retirees. Outlays of the Postal Service Fund, which are recorded as off-budget direct spending, also would be affected by paid family and medical leave that became available to USPS employees under the bill.

Retirement Annuities. Annuities for both postal and non-postal retirees are based on how long they have worked for the federal government. Employees who retire and begin receiving an annuity immediately receive credit for accrued sick leave that effectively increases the length of time they have worked for the government. (Federal employees who separate from federal service and begin receiving an annuity at a later date are not eligible for that credit.) Because the bill would allow federal employees to use paid FMLA leave rather than accrued sick leave, CBO estimates that, on average, federal employees would retire with three more weeks of available sick leave balances than under current law. The credits from those additional balances would increase direct spending for retiree annuities by $49 million over the 2022-2031 period.

Those higher balances are less than the amount of the new leave employees would use, for several reasons. First, under current law, most federal employees may use up to 104 hours of sick leave to care for a family member. As a result, only about 2.5 of the 7 weeks employees would use for caregiving would be substitutable. Second, not all additional leave provided under the bill would be substituted for sick leave. Using information from the Defense Financing and Accounting Service (DFAS), CBO determined that about half of the new leave would be substituted for sick leave. (DFAS provides payroll services for about half of non-postal federal employees; CBO expects the substitution rate for sick leave to be substantially similar for employees who do not receive payroll services from DFAS.) Finally, the calculation of annuities excludes partial months of creditable service. The annuities would not increase for an employee who retired with a sick leave balance that did not result in an additional month's worth of creditable service.

Postal Service. Under current law, postal workers are not eligible for any paid FMLA leave. H.R. 564 would provide more than 600,000 USPS employees with 12 weeks of paid parental, medical, and caregiving leave that could be substituted for sick leave. Assuming that those employees would use paid leave at rates similar to other federal employees, CBO estimates that about 50,000 full-time-equivalent USPS employees would use 12 weeks of paid leave each year.

At those rates, CBO estimates, H.R. 564 would increase direct spending from the off-budget Postal Service Fund by between $750 million and $1 billion annually, for a total of $8.5 billion in additional costs over the 2021-2031 period. CBO expects that increases to direct spending over that period would be offset by spending cuts in 2031, the year that CBO projects the Postal Service Fund will exhaust its borrowing authority and reserves. As a result, off-budget direct spending would net to zero over the 2021-2031 period.

Uncertainty

CBO's estimates of the proportion of employees who would use the newly available leave and the extent to which they would use it are subject to considerable uncertainty. Spending subject to appropriation and off-budget direct spending could differ significantly if a larger or smaller proportion of employees used the newly available leave for longer or shorter periods than expected.

Additionally, the extent to which federal employees substitute the new leave for sick leave they would otherwise use under current law is uncertain. If employees substituted the new leave at a greater rate and therefore retired with larger sick leave balances than CBO expects, those employees would generally retire with higher annuities, increasing direct spending.

Finally, the timing of outlays from the Postal Service Fund is uncertain. Although CBO estimates that USPS will adjust for increased spending under H.R. 564 in 2031, adjustments could occur throughout the 2021-2031 period. Furthermore, the date that the Postal Service Fund will become insolvent is uncertain and depends on many factors including future postal rate increases and demand for postal services. If the Postal Service Fund remains solvent beyond 2031, the Postal Service will not need to adjust its spending within the 2021-2031 period to cover the costs of the legislation. In that case, enacting H.R. 564 would result in a significant net increase in off-budget direct spending over the 2021-2031 period.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 3. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 564, the Comprehensive Paid Leave for Federal Employees Act, as Ordered Reported by the House Committee on Oversight and Reform on July 20, 2021

	By Fiscal Year, Millions of Dollars												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
	Net Increase in the On-Budget Deficit												
Pay-As-You-Go Effect	0	0	0	1	2	3	5	6	8	11	13	6	49

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 564 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates

H.R. 564 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by expanding eligibility for paid FMLA medical leave to employees of the District of Columbia courts and the District of Columbia Public Defender Service (PDS). Because PDS operates independently of the District of Columbia government, the bill would impose a private-sector mandate. Because of the relatively small number of employees within each organization, CBO estimates that the cost of the mandates would not exceed the intergovernmental or private-sector thresholds established in UMRA ($85 million and $170 million in 2021, respectively, adjusted annually for inflation).

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