

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1211-01
Bill No.: SB 291
Subject: Office of Administration; Employees - Employers; State Employees
Type: Original
Date: February 28, 2017

Bill Summary: This proposal creates new provisions granting paid parental leave to state employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Personnel (OA)** assume this proposal would require the State to provide an employee ten consecutive work days of paid parental leave for the birth or adoption of a child under two years of age. OA is unable to calculate the financial impact this bill would have because there are currently no mechanisms in place to track the number of employees who take leave for pregnancy or adoption. However, OA believes that any costs associated with this proposal could be absorbed with existing resources.

Section 1 of the bill uses the term "ten consecutive works days of paid parental leave. . . ." Because work days/weeks vary by agency and employee, some employees could potentially receive a greater benefit than other employees. For example, an employee that works four (4) days per week and ten (10) hours per day could receive one hundred (100) hours of paid leave for each qualifying situation. Employees working a more traditional schedule of five (5) days per week and eight (8) hours per day could receive only eighty (80) hours of paid leave for each qualifying situation. If it was desired to balance out the value of the leave benefit between employees with different types of schedules, language such as "up to 80 hours" could be incorporated into the bill.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal grants state employees ten paid leave days for the birth or adoption of a child. This proposal could result in cost for covering vacant employee duties. B&P defers to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Attorney General's Office** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.

ASSUMPTION (continued)

However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **MoDOT & Patrol Employees' Retirement System** assume the implementation of this legislation is expected to have indeterminable but minimal fiscal impact on the agency.

Officials from the **Department of Health and Senior Services (DHSS)** assume this legislation creates a new type of leave benefit from which an employee can be absent from work due to the birth or adoption of a child. The Department of Health and Senior Services had an average of 39 employees request leave under FMLA for the birth or adoption of a child during 2015 and 2016. DHSS's average employee salary is \$41,540.28, or \$19.97 per hour. This legislation would give each of these employees 80 additional hours of paid leave.

$39 \times \$19.97 \times 80 = \$62,306.40$ in additional costs and lost productivity each year.

DHSS assumes that this leave is paid in addition to the normal accrued balances under sick, annual, and compensatory time. Based on current payroll the following are costs by fund:

General Revenue-	\$21,276.76
Federal-	\$36,806.48
Other-	<u>\$ 4,223.16</u>
Total	\$62,306.40

Officials from the **Department of Corrections (DOC)** assume this bill would require the State to provide an employee ten consecutive work days of paid parental leave for the birth or adoption of a child under two years of age. The Department of Corrections is unable to calculate the financial impact of this bill because there are currently no mechanisms in place to track the number of employees who take leave for pregnancy or adoption.

ASSUMPTION (continued)

The DOC assumes there will be some costs, especially in our institutions where staffing of corrections officers is critical for inmate and employee safety. If an officer is on paid parental leave for an additional two weeks in a given year, his/her post will still have to be manned by another officer. However, any cost to the Department of Corrections is unknown.

Officials from the **Department of Transportation (MoDOT)** assume this bill would mean that an additional category of paid leave must be provided for all MoDOT employees for the birth of a child of the employee or because of the finalization of an adoption by the employee of a child who is under two years of age. This is above and beyond the current paid leave that is provided to MoDOT employees. This bill will have a fiscal impact on MoDOT however, there is no way to know how many instances would trigger the ten days of paid leave. Therefore, SB 291 would have an unknown fiscal impact on MODOT.

Officials from the **Department of Social Services (DSS)** note section 105.263 states any employee of the state of Missouri shall be granted 10 consecutive work days of paid parental leave for the birth of a child of the employee or because of the finalization of an adoption by the employee of a child who is under two years of age. Such paid parental leave shall be separate from any other type of paid leave granted to such employee. An employee eligible to take the paid leave shall not be required to use all or any portion of any accrued vacation leave, accrued sick leave or other type of accrued leave before being allowed to use the paid leave under this section. An employee who intends to take the paid leave shall provide reasonable notice of such intent to their supervisor.

As the Family Medical Leave Act currently allows qualified employees to take up to 12 workweeks after the birth or adoption of a child, this would extend that timeframe to include 10 additional days of paid leave beyond an employee's accrued annual or sick leave. This may create difficulties in ensuring adequate workload/staffing coverage. In facilities that operate on a 24-hour basis, employees would have to be scheduled to cover shifts which could result in additional overtime. Since it is not possible to identify staff that will use this leave, predictions of the number of employees that would fall under the purview of this bill and the associated increased cost cannot be projected. The assumption is made that the payment for this leave would come from existing personal services in the same way as other administrative leave with pay; therefore, the costs associated with this proposal would be absorbed with existing resources.

Officials from the **Missouri Department of Conservation** assume the fiscal impact to their organization is unknown but likely less than \$100,000.

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** assume this proposal will increase costs associated with paying employees time off for 10 consecutive work days for the birth of a child of the employee or because of the finalization of an adoption by the employee of a child who is under two years of age. The DMH currently employs 6,443 employees in this classification with an average salary of \$35,000.88 annually.

There is no way to predict the number of employees that will utilize paternity leave each year. Therefore the DMH used an arbitrary percentage of 5% of employees will use this leave (322 employees) equaling 3,220 paid days. The DMH assumes this will total a cost to the department of at least \$433,541 per year.

This amount could be a lot higher as it is impossible to predict the number of employees who will utilize what would now be paid paternity leave annually. In addition, this could also have an impact on our overtime budget as more fathers may be apt to take 10 days of paternity leave as opposed to the current assumed average of 3-5 days.

Officials from the **Department of Natural Resources** assume this proposal would result in additional costs to the state. It is unknown the number of employees that would seek paid parental leave. Therefore, the department assumes an unknown negative fiscal impact as a result of the proposed legislation.

Officials from the **Missouri Consolidated Health Care Plan** assume on average, MCHCP has had 2 employees utilize FMLA for the birth or adoption of a child over the last three years. The average hourly salary for MCHCP employees is \$21.88 per hour. MCHCP estimates the fiscal impact of this legislation to be \$3,500.

Officials from the **Missouri Highway Patrol - Missouri Veterans Commission** assume the fiscal impact on their organization is unknown.

Officials from the **Missouri House of Representatives** assume the fiscal impact to their organization is minimal and can be absorbed with existing resources.

Officials from the **Missouri Ethics Commission** assume the proposed legislation does not have fiscal impact on the Missouri Ethics Commission, specifically. The fringe benefits would increase for state employees.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations** assume this proposal requires the State of Missouri, as an employer, grant ten consecutive days of paid parental leave upon the birth or adoption of a child under age two. Based on review of the last three calendar years, the Department of Labor and Industrial Relations (DOLIR) estimates that twelve employees per year would take the paid parental leave, at an annual total cost of \$16,000. The department is unable to predict which employees would take this leave and how those positions are funded. For the purposes of this estimate, DOLIR has used the Cost Allocation Plan (CAP) to determine the fiscal impact for each fund below.

Dollar Cap	General Revenue	Unemployment Compensation Admin	Other/Federal	Workers' Compensation Admin
Percentage	6.08%	72.76%	2.23%	18.93%
Cost Breakout	\$973	\$11,642	\$356	\$3,029

Officials from the **Department of Public Safety - Capitol Police** state this fiscal note could have some monetary impact depending on which employees and how many employees take this designated leave in a fiscal year. Covering for some employees within Capitol Police could result in a loss in productivity due to staff covering for added duties. Coverage for police officers, on a 24/7/365 schedule could cause overtime for these 10 days.

Officials from the **Department of Higher Education (DHE)** state the average salary per pay period at the Department of Higher Education is \$1,874.63.

$\$1,874.63 / 15 \text{ days} = \124.98 per day.
 $\text{Daily pay of } \$124.98 \times 10 \text{ days} = \$1,249.75.$

On average, DHE would be financially responsible for \$1,249.75 per employee who would take ten days off for maternity leave.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume an employee who used these ten new days of leave (80 hours) would receive exactly the same paycheck they would have otherwise received; the difference is they would have spent those 80 hours at home rather than at work. Other employees would likely absorb their job duties during their absence. This could be considered a 'loss of productivity' from the state's perspective since the employee was not performing his or her normal duties during that time. Therefore, the Highway Patrol anticipates no fiscal impact.

Officials from the **Office of the State Courts Administrator (OSCA)** assume the proposed legislation creates new provisions granting paid parental leave to state employees.

The Center for Disease Control (CDC) estimates that approximately 6.25% of women of reproductive age (15-44 years) gave birth in 2015. There are currently 869 women employed in the judiciary between the ages of 15 and 44 who are eligible to accrue leave at an average hourly wage of \$14.78. If 6.25% of them gave birth, that would be 54.31 births. Each birth would cost \$1,189.70 (\$14.78 x 80 hours) therefore the total cost for these employees would be approximately \$64,512.42 (\$1,189.70 x 54.31 births) plus an additional unknown cost for males who have new babies as it is impossible to predict how many male employees could become fathers based on the data we collect. It is assumed this only applies to those employees eligible to accrue and take leave. Temporary hourly employees and statutory employees (judges, circuit clerks and court reporters) were excluded from our totals.

Officials from the **Office of Administration - Administrative Hearing Commission, the State Tax Commission, the Missouri Lottery Commission, the Joint Committee on Public Retirement, the Missouri State Employee's Retirement System, the Office of Prosecution Services, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Public Safety - Missouri Gaming Commission, Division of Alcohol and Tobacco Control and Office of the Director, the Department of Revenue, the Missouri Senate, the Office of the Governor and the Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Public Safety - Division of Alcohol and Tobacco Control, State Emergency Management Agency, Division of Fire Safety the Office of the Lieutenant Governor, the Department of Elementary and Secondary Education, the Department of Agriculture, the Department of Economic Development and the Office of the State Treasurer** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

ASSUMPTION (continued)

Oversight assumes this proposal would have an negative unknown fiscal impact to the State of Missouri.

Oversight notes that some affected employees would use annual or sick leave under current law for parental leave. They would not need to use annual or sick leave, or would use less leave under terms of this proposal. Immediate fiscal impact would be paying employees who would otherwise have to use leave without pay, or paying other employees or temporary employees to cover those who may not have otherwise been allowed to take ten consecutive days off. Longer term impacts would include paying vacation when an employee leaves state employment or even paying additional retirement benefits.

According to Missouri Consolidated Health Care Plan, the following were totals for covered deliveries in the previous three fiscal years.

	2014	2015	2016
Deliveries	1,134	1,151	772
Employees	652	646	422
Covered Spouses	161	178	110
Dependents	321	327	240

Assuming an average annual salary of \$35,156 (2015 Office of Administration Personnel) each work day is worth \$146. If a minimum of 110 (2016 total covered spouses) fathers are able to take a 10 day (\$1,460) paternity leave this will cost the state an estimated \$160,600 annually. This number doesn't include any previous adoptions by state employees. Oversight assumes for fiscal note purposes this proposal will cause a negative unknown fiscal impact that could exceed \$100,000. In addition, Oversight also assumes this impact could be to various state and federal funds, but for simplicity, Oversight will reflect the impact to General Revenue only.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Costs - Paid Leave for Birth or Adoption of a Child</u>	(Unknown, Could exceed <u>\$100,000</u>)	(Unknown, Could exceed <u>\$100,000</u>)	(Unknown, Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Unknown, Could exceed <u>\$100,000</u>)	(Unknown, Could exceed <u>\$100,000</u>)	(Unknown, Could exceed <u>\$100,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal allows state employees to receive ten paid days of work leave upon the birth or adoption of a child.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

- Attorney General's Office
- Department of Agriculture
- Department of Economic Development
 - Public Service Commission
 - Office of the Public Council
 - Division of Energy
- Department of Elementary and Secondary Education
- Department of Higher Education

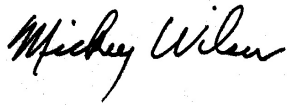
SOURCES OF INFORMATION (continued)

Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Office of the Director
 Alcohol & Tobacco Control
 Fire Safety
 Gaming Commission
 Capitol Police
 Missouri Highway Patrol
 State Emergency Management Agency
 Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Office of Administration - Budget and Planning
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender

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SOURCES OF INFORMATION (continued)

Office of the State Treasurer
State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 28, 2017

Ross Strobe
Assistant Director
February 28, 2017