CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 21, 2007

S. 910
Healthy Families Act

As introduced in the Senate on March 20, 2007

SUMMARY

S. 910 would require federal, state, and private-sector employers (with 15 or more employees) to provide their full-time employees with not less than seven days of paid sick leave (or proportionally less for part-time workers). Such leave would be available to employees if they were sick, had to go to the doctor, or had to miss work to care for a sick family member. The bill also would require the Commissioner of Labor Statistics to annually compile information on the use of paid sick leave. In addition, the bill would direct the Government Accountability Office (GAO) to conduct a study on the use of paid sick leave within 18 months of enactment, with a follow-up report five years after enactment.

CBO estimates that implementing S. 910 would cost $3 million to $4 million annually, subject to the availability of appropriated funds. Enacting the bill would not affect direct spending or revenues.

S. 910 would require most private-sector employers and all state, local, and tribal governments to provide their employees with paid leave if they missed work because they were sick, had a doctor's appointment, or were caring for a sick family member. The bill also would require employers to post notices about the availability of such benefits and implement procedures for safeguarding certain health information, and would subject employers to liability for damages if they fail to comply with the bill's requirements. All of these requirements would be intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); the total cost of the mandates in the bill would exceed both the intergovernmental and private-sector thresholds established in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 910 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, employment, training, and social services) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Bureau of Labor Statistics					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Government Accountability Office					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Total Changes					
Estimated Authorization Level	3	3	3	4	4
Estimated Outlays	3	3	3	4	4

NOTE: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

S. 910 would require most employers to provide sick leave to their full- and part-time employees, effective one year after regulations are issued (which are to be issued within 120 days of enactment). For purposes of this estimate, CBO assumes that S. 910 will be enacted by October 1, 2007. The bill would require necessary regulations to be published 120 days after enactment, and the provisions of the bill would take effect one year after that. Thus, this estimate assumes that the sick leave requirement will become effective by February 2009.

Virtually all federal employees covered by S. 910 currently receive paid sick leave or similar benefits. Thus, enacting S. 910 would have a negligible effect on the costs of employee benefits. In addition, the bill would require the Bureau of Labor Statistics (BLS) to annually compile information on the use of sick leave. The bill also would require GAO to conduct annual studies on the use of paid sick leave, and to submit two reports concerning the results of those studies. Based on projects similar in size and scope, and information from the affected agencies, CBO estimates that implementing S. 910 would increase costs to BLS by about $2 million annually and to GAO by about $1 million annually. Assuming appropriation of the necessary amounts, enacting S. 910 would increase outlays by $17 million over the 2007-2012 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill would impose both intergovernmental and private-sector mandates, as defined in UMRA, because it would require employers to provide paid leave they are not required to provide under current law. The bill also would require employers to post notices about the availability of such benefits and implement procedures for safeguarding certain health information, and would subject employers to liability for damages if they fail to comply with the bill's requirements. Assuming regulations enforcing the provisions go into effect in February 2009 (as noted above under "Basis of Estimate"), the costs of those mandates would exceed both the intergovernmental and private-sector thresholds established in UMRA beginning that year (in 2009, $69 million and $137 million, respectively, as adjusted for inflation). The most costly mandate in the bill is the one requiring paid leave, and all other mandates in the bill are tied to that one. Consequently, CBO focused this analysis on the costs of the paid-leave requirement.

The bill would require employers to provide up to seven days of paid leave to full-time employees working 30 or more hours per week (and proportionately less to part-time employees working less than 30 hours per week on a year-round basis or less than 1,500 hours throughout the year). The bill would not require employers to provide paid leave to employees working less than 20 hours per week or less than 1,000 hours per year. All state, local, and tribal governments would be covered by the requirement, as would private employers with 15 or more employees.

CBO estimated the costs to employers of providing paid leave for illnesses and family care in two steps. First, we used data from the Medical Expenditures Panel Survey of 2004 to estimate how much it would have cost employers to comply with the mandate in 2004. Specifically, we used information on the number of workers who indicated that they were neither provided paid vacation nor sick leave, the number of days they missed work due to injury, illness, or to care for a family member, and their average hourly pay. The estimate of 2004 costs was projected forward to estimate the costs to employers beginning in February 2009, taking into account the expected increases in wages and changes in employment levels.

CBO estimates that the costs to state, local, and tribal governments would total about $190 million in 2009 and $1.4 billion over the 2009-2013 period. We estimate that the costs to the private sector would total about $1.5 billion in 2009 and $11.4 billion over the 2009-2013 period. The following table summarizes the estimated costs of those mandates.

ESTIMATED COST OF MANDATES IN S. 910

	By Fiscal Year, in Millions of Dollars				
	2009	2010	2011	2012	2013
COST TO STATE, LOCAL, AND TRIBAL GOVERNMENTS					
Paid-Leave Requirement	190	290	300	310	320
DIRECT COST TO THE PRIVATE SECTOR					
Paid-Leave Requirement	1,500	2,400	2,400	2,500	2,600

Other mandates in the bill would require employers to post a notice outlining the paid-leave benefits, to keep and maintain records that detail compliance with the paid-leave requirements, and to safeguard and store health information related to paid leave separately from personnel information. Finally, employers would be liable for damages in cases where they failed to comply with the bill's paid-leave requirements.

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