

The Federal Employees Paid Parental Leave Act of 2009 (H.R. 626):
Cost Implications

Q: How can legislation that costs \$190 million be pay-go neutral? Won't the agencies need more money to implement this?

A: There are no pay-go implications for the Federal Employees Paid Parental Leave Act of 2009 (FEPPLA) because there are no new expenditures. CBO's cost estimate assumes that employees will substitute paid leave for the unpaid leave that they currently have available to them and this will increase the availability of paid annual and sick leave in the future or the potential for cash payments upon separation from the federal government. These costs will only manifest themselves as employees use additional paid annual and sick leave in the future or leave federal service.

Q: This will cost the federal government \$190 million. Where are we going to get the funds to pay for this?

A: According to CBO, no new expenditures will be required for this legislation. CBO's cost estimate assumes that employees will substitute paid leave for the unpaid leave that they currently have available to them and this will increase the availability of paid annual and sick leave in the future or the potential for cash payments upon separation from the federal government. These costs will only manifest themselves as employees use additional paid annual and sick leave in the future or leave federal service. Thus, there are no pay-go implications for the Federal Employees Paid Parental Leave Act of 2009 (FEPPLA).

Q: How can the government afford to extend \$190 million worth of benefits during a recession?

A: The Federal Employees Paid Parental Leave Act of 2009 (FEPPLA) is a good policy to implement in a recession because it will boost family incomes, yet according to CBO will require no new expenditures. CBO's cost estimate assumes that employees will substitute paid leave for the unpaid leave that they currently have available to them and this will increase the availability of paid annual and sick leave in the future or the potential for cash payments upon separation from the federal government. These costs will only manifest themselves as employees use additional paid annual and sick leave in the future or leave federal service. Thus, there are no pay-go implications for FEPPLA.

As yet there is no CBO estimate for H.R. 626, the Federal Employees Paid Parental Leave Act of 2009. However, alternate calculations suggest that the cost may in fact be less than the initial CBO projection. A recent report by the Institute for Women's Policy

Research finds that the cost of the program is likely to be 33% less than the 2008 CBO cost estimate for H.R. 5781.¹ In addition, the Joint Economic Committee estimates that it costs almost three times as much to replace an employee as it does to provide them with four weeks of paid parental leave. Thus, H.R. 626 could save money by reducing turnover and increasing productivity through better morale and reduced absenteeism.

¹ Lovell, Vicky and Kevin Miller. *The Cost of Paid Parental Leave for Federal Workers: Revising a CBO Cost Estimate to Reflect H.R. 5781's Proposed Four Week Policy*. Institute for Women's Policy Research. <http://www.iwpr.org/pdf/A135.pdf>