

## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** March 9, 2022

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** A resolution to create Section 17.177 of the Milwaukee County Code of General Ordinances to establish a paid parental leave program for County employees.

**FISCAL EFFECT:**

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| <input type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input checked="" type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input checked="" type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input type="checkbox"/> Decrease Operating Expenditures<br><input checked="" type="checkbox"/> Increase Operating Revenues<br><input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures<br><input type="checkbox"/> Decrease Capital Expenditures<br><input type="checkbox"/> Increase Capital Revenues<br><input type="checkbox"/> Decrease Capital Revenues<br><input type="checkbox"/> Use of contingent funds |
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*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	Expenditure or Revenue Category	Current Year	Subsequent Year
<b>Operating Budget</b>	Expenditure	\$285,250*	\$489,000*
	Revenue	\$70,000*	\$120,000*
	Net Cost	\$215,250*	\$369,000*
<b>Capital Improvement Budget</b>	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

*\*Although there is a fiscal impact related to creation of the paid parental leave program, there is no budgetary impact for providing paid leave as the County typically budgets to pay its employees 2080 hours annually. This resolution does not increase the number of hours paid to employee. There may be a budgetary impact associated with the backfilling of employees when required. This annual cost of backfilling is estimated to be \$489,000 with revenue offset of \$120,000 for a net impact of \$369,000. For purposes of this fiscal note, it is assumed that this additional amount for overtime will be absorbed with departmental overtime budgets, or overall personnel budgets, since it is impossible to predict what departments will incur expenses because of the program.*

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. **Proposal:** This proposal creates a paid parental leave program for employees with a scheduled workweek of 20 hours or more who have a qualifying event. Employees with a scheduled workweek of 40 hours are entitled to eight (8) weeks of paid time off, or 320 hours, each calendar year for qualifying events. All other employees are entitled to a prorated share of time off based on their scheduled workweek. Under the paid parental leave program, a birthing parent who experiences incapacity related to a pregnancy or serious health condition following the birth of a child is also eligible for up to an additional two (2) weeks of paid time off. The paid parental leave program also provides up to three (3) weeks of paid time off for a birthing parent who experiences a miscarriage or stillbirth.

B. **Direct Financial Impact:** Using 2021 FMLA data as a proxy for developing costs, this estimate assumes 96 leaves will occur annually. Of those 96 leaves, 42 are for maternity leaves (medical and bonding combined) and 54 are for parental leaves (bonding only).

The actual cost of providing 320 hours of paid time to 96 individuals is approximately \$711,000, with revenue offsets of approximately \$122,000, for a net cost of \$589,000.

Depending on the actual number of births, medical circumstances of the eligible employees, and the actual amount of leave taken under the proposed policy, the actual cost could be greater than or less than the amount estimated here.

### **Additional Financial Considerations:**

*Leave Payout at Termination:* With the provision of paid parental leave, employees who would have previously used accrued leave to cover all or a portion of their parental leave will maintain

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

<sup>2</sup> Community Business Development Partners' review is required on all professional service and public work construction contracts.

those balances for other uses throughout the year. Based on the County's turnover rate of 8.0 percent (last estimated in 2020), it could be possible that at least 4 employees who used parental leave terminate their employment and be entitled to some form of leave payout. Since accrued leaves vary throughout the County and since the estimated number of terminations is low, the payout would likely be a de minimis amount.


*Backfilling of Positions:* Whether a department backfills an employee's parental leave is generally at the department's discretion and difficult to estimate. For purposes of developing costs, this fiscal note assumes that 24/7 operations will require some level of backfilling for the additional parental leave being provided. Those departments include the Office of the Sheriff, House of Correction, and Department of Transportation – Airport Division. At optimal staffing levels, parental leaves could possibly be absorbed within 24/7 operations. With staffing issues proving more difficult in some departments, this is likely not the case. Assuming that overtime is required to backfill 100 percent of the parental leave hours in 24/7 operations results in an additional cost of \$489,000, with revenue offsets of \$120,000, for a net cost of \$369,000.

- C. **Budgetary Impact:** Annual departmental salary budgets generally include a salary appropriation for each FTE that is the equivalent of 2080 hours, which is then further increased or reduced by other needs of the department (high vacancy and turnover, special premiums, etc.). Because a paid parental leave would not increase the hours paid per employee, there is no direct budgetary impact. In situations where employees previously went unpaid for parental leave, the County would be forgoing a budgetary savings it might have otherwise achieved.

Overtime budgets vary by department, and any backfilling required due to parental leave may require additional appropriations. It is impossible, however, to predict what departments may incur additional overtime costs because of the parental leave in any given year. Therefore, additional overtime expenses incurred beyond budget because of the parental leave program would need to be absorbed within a department's personnel budget.

- D. **Assumptions:** This fiscal estimate assumes the following:
  - Annual paid parental leave taken will be comparable to maternity/parental leave taken in 2021.
  - All paid parental leaves will be taken for the full eight weeks. Any prorated benefit or benefit taken for miscarriages/stillborn babies will reduce the cost estimated here.
  - It is assumed that most individuals over the age of 45 will not use the benefit, and therefore, only average salary for employees under the age of 45 are used in calculations.
  - Annual turnover for those most likely eligible for the benefit will be comparable to the County's average turnover rate. If turnover rate is higher for those that use the benefit within the same year, the average payout at termination may be higher.
  - Only 24/7 operations will require the backfilling of employees accessing the benefit. If other departments require backfilling, costs may increase.

Department/Prepared By Cynthia J Pahl

Authorized Signature Cynthia J Pahl 

Did DAS-Fiscal Staff Review?  Yes  No

Did CBDP Review?<sup>2</sup>  Yes  No  Not Required