

FY 2016

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

State Paid Leave Fund

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STATE PAID LEAVE FUND

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APPROPRIATION LANGUAGE

*For grants and contracts to assist in the start-up of paid leave programs in the States,
\$35,000,000.*

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EXPLANATION OF LANGUAGE CHANGE

This is a new appropriation. Under this new initiative, grants would assist states in planning and start-up activities relating to paid leave programs.

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ANALYSIS OF APPROPRIATIONS LANGUAGE

Not applicable.

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AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	2014		2015		2016	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$0	0	\$0	0	\$35,000
Reduction Pursuant to P.L. 113-6 for FY 2013	0	\$0	0	\$0	0	\$0
Appropriation, Revised	0	\$0	0	\$0	0	\$35,000
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$35,000</i>
Comparative Transfer To:	0	\$0	0	\$0	0	\$0
Comparative Transfer From:	0	\$0	0	\$0	0	\$0
Offsetting Collections From:						
Reimbursements	0	\$0	0	\$0	0	\$0
<i>Subtotal Offsetting Collections From:</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>
B. Gross Budget Authority	0	\$0	0	\$0	0	\$35,000
Offsetting Collections						
Advances	0	\$0	0	\$0	0	\$0
<i>Subtotal Offsetting Collections</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>
C. Budget Authority Before Committee	0	\$0	0	\$0	0	\$35,000
Legislative Proposal	0	\$0	0	\$0	0	\$0
Offsetting Collections From:						
Advances	0	\$0	0	\$0	0	\$0
<i>Subtotal Budget Authority</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$0</i>	<i>0</i>	<i>\$35,000</i>
D. Total Budgetary Resources	0	\$0	0	\$0	0	\$35,000
Other Unobligated Balances	0	\$0	0	\$0	0	\$0
E. Total, Estimated Obligations	0	\$0	0	\$0	0	\$35,000

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SUMMARY OF CHANGES

(Dollars in Thousands)

	2015	2016	Net Change	
Budget Authority				
General Funds	\$0	\$35,000	+\$35,000	
Total	\$0	\$35,000	+\$35,000	
Full Time Equivalents				
General Funds	0	0	0	
Total	0	0	0	
		2016 Change		
Explanation of Change	2015 Base	Trust Funds	General Funds	Total
	FTE Amount	FTE Amount	FTE Amount	FTE Amount
Increases:				
A. Built-Ins:				
To Provide For:				
Grants, subsidies, and contributions	0 \$0	0 \$0	0 \$0	0 \$0
Built-Ins Subtotal	0 \$0	0 \$0	0 \$0	0 \$0
B. Programs:				
State Paid Leave	0 \$0	0 \$0	0 \$35,000	0 \$35,000
Programs Subtotal		0 \$0	0 +\$35,000	0 +\$35,000
Total Increase	0 \$0	0 \$0	0 +\$35,000	0 +\$35,000
Decreases:				
A. Built-Ins:				
To Provide For:				
Built-Ins Subtotal	0 \$0	0 \$0	0 \$0	0 \$0
B. Programs:				
Programs Subtotal		0 \$0	0 \$0	0 \$0
Total Decrease	0 \$0	0 \$0	0 \$0	0 \$0
Total Change	0 \$0	0 \$0	0 +\$35,000	0 +\$35,000

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY (Dollars in Thousands)								
	2014		2015		2016		Diff. 2016 / 2015	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
State Paid Leave Fund	0	0	0	0	0	35,000	0	35,000
General Funds	0	0	0	0	0	35,000	0	35,000
Operations	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	35,000	0	35,000
General Funds	0	0	0	0	0	35,000	0	35,000

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BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
	Full-Time Equivalent				
	Total	0	0	0	0
11.1	Full-time permanent	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
12.1	Civilian personnel benefits	0	0	0	0
41.0	Grants, subsidies, and contributions	0	0	35,000	35,000
	Total	0	0	35,000	35,000

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SIGNIFICANT ITEMS IN APPROPRIATIONS COMMITTEES' REPORTS

Not applicable.

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APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2011					
Base Appropriation	\$50,000	\$0	\$0	\$0	0
2012					
Base Appropriation	\$23,000	\$0	\$0	\$0	0
2013					
Base Appropriation	\$5,000	\$0	\$0	\$0	0
2014					
Base Appropriation	\$5,000	\$0	\$0	\$0	0
2015					
Base Appropriation	\$5,000	\$0	\$0	\$0	0
2016					
Base Appropriation	\$35,000	\$0	\$0	\$0	0

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	0	0	35,000	35,000
FTE	0	0	0	0

Introduction

The Administration is committed to building opportunities for the middle class and achieving an economy where all workers can share in economic prosperity. However, too many Americans cannot reach their full potential in our growing economy because they lack the flexibility they need to balance to balance their families and jobs,

The composition of the workforce has drastically changed over the last half-century. Almost half of the workforce is now women, married couples are increasingly sharing childcare responsibilities, and people are living—and working—longer than in the past. Given the growing number of dual-earner families, today’s workers are trying to balance work, childcare, and eldercare, as well as other responsibilities. In particular, families increasingly need to take time off around the birth or adoption of a child, for their own medical needs, or when a family member becomes ill.

Despite the increasing need for leave policies, many American workers still lack access to the kind of leave policies that meet the evolving needs of today’s families. While the Family and Medical Leave Act (FMLA) allows many workers to take job-protected unpaid time off to care for a new baby or sick child, or tend to their own health during a serious illness, millions of families cannot afford to use unpaid leave. That means that millions of workers, whose employers do not voluntarily provide paid leave, must choose between caring for family members or losing a paycheck.

- 40 percent of FMLA covered workers surveyed by DOL in 2012 said they had to return to work because they couldn’t afford to take time off.¹
- In the 2011 American Time Use Survey, only 53 percent of workers report being able to take some type of paid leave for their own illness and only 39 percent report being able to take some type of paid family leave for the birth of a child. There are large disparities in access to paid leave across groups, with access to paid leave being particularly low among Hispanics, less educated workers, and low wage workers.
- According to the National Compensation Survey in March 2014, only 13 percent of all workers have access to paid family leave.

¹ Klerman, J. A., Daley, K., & Pozniak, A. (2012). *Family and Medical Leave in 2012: Technical Report* (contract #GS10FOO86K). Cambridge, MA: Abt Associates. Retrieved from U.S. Department of Labor website: <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>

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Over the last several years, a handful of States have launched programs to offer paid leave, including California, New Jersey, and Rhode Island. The State of Washington has also passed a paid leave law, although it will not be implemented until a financing mechanism is also passed. Typically, these programs are State-run insurance programs financed by employer and/or employee contributions. The Budget proposes to expand access to paid leave by encouraging more States to follow their lead. Specifically, the Budget would establish:

- **The State Paid Leave Fund** (\$35 million), a discretionary program that would provide technical assistance and support to States that are still building the infrastructure they need to launch paid leave programs in the future. These resources would be particularly important in States without a Temporary Disability Insurance (TDI) program, which has provided the infrastructure to support paid family leave in the three States that currently offer those programs.
- **The Paid Leave Partnership Initiative** (\$2.213 billion over three years; further described in the Employment and Training Administration Congressional Budget Justification)), a mandatory program that would pay for up to half of the benefits and all of the startup costs associated with creating a paid leave program in up to 5 states.

Evidence suggests that investing in paid leave is good for workers, families, businesses, and the economy as a whole:

- *Benefits for the Economy:* Paid family leave policy can help increase labor force participation, particularly among women, which is critical to sustained economic growth and the nation's competitiveness in a global labor marketplace. While labor force participation among women has risen substantially over the last six decades, since the 1990's, the United States has gone from leading many other European countries in prime-age female labor force participation to lagging behind them. Research has shown that family friendly policies are at least partially responsible for the rise in participation in other advanced countries, and the lack of these policies is a contributing factor as to why the U.S. has lost ground.² Access to paid family leave is a particularly important factor for mothers considering whether or not to remain in the labor force, since it enables mothers to continue working for an employer after giving birth. In 2004, California became the first State to implement a paid family leave program. One study that examined the decisions of mothers before and after the program's implementation, found that it significantly boosted the number of hours that mothers worked two to three years after giving birth.³ Other research on paid leave programs has shown that access to paid leave increases the likelihood that a recent mother will return to her employer.

² Waldfogel, Jane, Yoshio Higuchi, and Masahiro Abe. 1999. "Family Leave Policies and Women's Retention after Childbirth: Evidence from the United States, Britain, and Japan." *Journal of Population Economics* 12, no 4: 523-545.

³ Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. 2013. "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management*, 32(2), 224-245

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- *Benefits for Children's Health:* Paid leave programs also enable workers to care for and bond with new born and adopted children while sustaining their livelihoods and helping them to meet the new expenses of a growing family. Studies of the California Paid Family Leave law showed it increased the time mothers and fathers spend bonding with a new child.⁴ Having access to paid family leave also increased breast-feeding and mothers' time spent on child care, and paid family leave can have additional benefits such as reducing maternal stress during the pregnancy (which is good for the infant's well-being).⁵ A number of studies have shown that maternity leave has a positive impact on other indications of infant health such as higher birth weight and infant mortality.⁶
- *Benefits for Businesses:* Paid leave policies are good for employers. Paid leave policies can help employers attract and retain employees,⁷ reducing the expense of recruiting and retraining. Recent research has shown that the implementation of paid family leave in California did not have a negative impact on employers. Roughly 90 percent of covered employers reported positive effects or no effects in terms of productivity, profitability, retention, and morale.⁸

Paid leave can also help reduce worker turnover. In a survey of 120 randomly selected employers in New York, employers that offered sick leave and child care assistance had significantly lower rates of turnover. Paid family leave in particular can help businesses retain talented workers after childbirth. Studies show that paid maternity leave increases the likelihood that mothers return to their employers following the birth of a child.

State Paid Leave Fund (SPLF)

The SPLF will provide \$35 million in grants to assist States in establishing paid leave programs. While just three States currently offer paid leave programs, many others are interested in developing the infrastructure they need to launch programs in the future. State interest in setting

⁴ Bartel, A., Baum, C.L., M., Ruhn, C.J., and Waldfogel, J. (2014) "California's Paid Family Leave Law: Lessons from the First Decade"; Baum, C.L., & Ruhm, C.J. (2014). *The Effects of Paid Family Leave in California on Labor Market Outcomes*. Cambridge, MA: National Bureau of Economic Research; Rossin-Slater, M., Taking and Subsequent Labor Market Outcomes. *Journal of Policy Analysis and Management*, 32(2), 224-245.

⁵ Rossin-Slater, Maya. (2011). *The Effects of Maternity Leave on Children's Birth and Infant Health Outcomes in the United States*. *Journal of Health Economics* 30,2, 221-239. Ruhm, Christopher J. 2000. "Parental Leave and Child Health." *Journal of Health Economics* 19(6), 931-960.

⁶ Williams, Joan. 2001. *Unbending Gender: Why Work and Family Conflict and What to Do About It*. Oxford University Press; Baughman, Reagan, Daniela DiNardi, and Douglas Holtz-Eakin. 2003. "Productivity and Wage Effects of 'Family-friendly' Fringe Benefits." *International Journal of Manpower* 24, no. 3: 247-259; Rossin-Slater, M., Ruhm, C. J., & Waldfogel, J. (2013). "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management*, 32(2), 224-245.

⁷ Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. 2011. "The Effects of California's Paid Family Leave Program on Mothers' Leave Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management* 32, no.2: 224-245; Boushey, H. and S. Glynn. (2012). "There are Significant Business Costs to Replacing Employees." Center for American Progress. (<http://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>).

⁸ Appelbaum, E., & Milkman, R. (2011). *Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California*. Washington, D.C.: Center for Economic and Policy Research.; Appelbaum, E. & Milkman, R. (2013). *Unfinished Business: Paid Family Leave in California and The Future of U.S. Work-Family Policy*. Ithaca: ILR Press.

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up new programs was recently demonstrated by the receipt of twice as many applications for the Paid Leave Analysis Grant Initiative – offered by DOL’s Women’s Bureau in 2014 for States wishing to conduct feasibility studies for launching paid leave programs – than DOL was able to fund.

The requested resources for the SPLF will fund activities designed to build on these ongoing State efforts programs and to evaluate the programs to better inform program implementation moving forward.

Funds will be provided to states for different types of activities depending on where the State is in the process of analyzing and designing a program and will include:

- 1) **Pre-implementation activities** designed to position states to enact and adopt a state paid leave program. Pre-implementation activities may include research and analysis, program design activities, financing structure modeling, defining family eligibility and benefit requirements, developing outreach strategies for employers and workers, and other activities designed to help position the state for program implementation. A key deliverable for these planning grants will be an implementation plan.
- 2) **State implementation activities**, including the administrative costs and optionally a portion of initial benefit costs associated with establishing a new paid leave program or expanding an existing paid leave program. Implementation grant funds may be used for activities such as project management, staff or contract support to implement new business processes, technology investments to support program operations, the development of reporting and performance accountability processes, the development and dissemination of explanatory materials to employers and workers, and a portion of initial benefits for a new program.

In addition, a portion of the funds will be used to evaluate both existing and emerging State paid leave programs to better inform states as they adopt these programs with regard to structure and impact and to identify best practices.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$0	0
2012	\$0	0
2013	\$0	0
2014	\$0	0
2015	\$0	0

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Funding Mechanism

States will apply for competitive grants for either pre-implementation planning activities in preparation for establishment of State Paid Leave programs or implementation grants designed to support the administrative and benefit costs associated with ramping up a new or substantially expanded program. Up to 10 States may receive grants. Pre-implementation planning grant amounts are estimated to range from approximately \$500,000 - \$2,000,000 and implementation grants would be at least \$10,000,000.

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The Department is requesting \$35,000,000. Of this amount, two percent (\$700,000) is requested for Federal administration of the program. The remaining \$34,300,000 will be used for grants to states for either pre-implementation or implementation activities and for technical assistance that will include outreach to help identify and facilitate the participation of states.

The SPLF will provide grants to assist states that wish to establish paid leave programs. The Fund will provide grants to assist states in planning and start-up activities relating to state family paid leave programs. These funds will be provided to states primarily for pre-implementation planning activities, but could also be used to implement programs. Pre-implementation planning activities may include research and analysis, program design, modeling and identifying financing structures, defining family eligibility and benefits requirements, developing outreach strategies that will support program participation by employers and workers, and other activities designed to help position the state for program implementation. A key deliverable for these planning grants will be an implementation plan.

In addition, the Fund will provide implementation grants to states designed to support the administrative costs associated with ramping up a new or substantially expanded programs. Implementation grant funds may be used for activities such as project management, staff or contract support to implement new business processes, technology investments to support program operations, development of reporting and performance accountability processes, and the development and dissemination of explanatory materials to eligible workers.

States will apply for competitive grants for either pre-implementation planning activities in preparation for establishment of State Paid Leave programs or implementation grants designed to support the administrative costs associated with ramping up a new or substantially expanded program. Between 5 and 10 states may receive grants. Pre-implementation grant amounts are estimated to range from approximately \$500,000 - \$2,000,000 and implementation grants may range from \$10,000,000 to \$20,000,000.

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BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
41.0	Grants, subsidies, and contributions	0	0	35,000	35,000
	Total	0	0	35,000	35,000

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CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Grants, subsidies, and contributions \$0

Built-Ins Subtotal \$0

Net Program \$35,000

Direct FTE 0

	Estimate	FTE
Base	\$0	0
Program Increase	\$35,000	0
Program Decrease	\$0	0