

Fiscal Impact Review 2016 General Assembly Session

Bill number: SB 271

Review Requested By: Co-Chairman Norment
Co-Chairman Hanger

JLARC Staff Fiscal Estimates

JLARC staff do not concur with the fiscal impact statement for SB 271. The bill creates a new classification of paid leave for state employees who adopt a child under the age of one. JLARC staff estimate the cost of implementing the new leave category to be \$69,540 per year in FY 2017 and FY 2018. The fiscal impact statement indicated the cost could range from \$550,757 to \$917,928 per year. The JLARC staff estimate is lower because it assumes there will be up to 15 qualifying adoptions per year instead of 198. Other costs associated with implementing and administering the new leave category would be absorbed by the Department of Human Resource Management (DHRM).

An explanation of the JLARC staff review is included on the pages that follow.

Authorized for release:



Hal E. Greer, Director

Bill summary: SB 271 creates a new classification of paid leave for state employees who adopt a child under the age of one. Under this new leave category, a qualifying employee would be eligible to receive six weeks of adoption leave, similar to maternity leave that is provided to state employees under the Virginia Sickness and Disability Program. The first week of leave would be covered from the employee’s existing sick leave or other leave accounts. The remaining five weeks would be covered by the new adoption leave category. During this period, the employee would receive from 60 to 100 percent of creditable compensation, depending on their years of services and hire date. DHRM would be responsible for implementing and administering the new leave category.

Discussion of fiscal implications: JLARC staff estimate the fiscal impact of SB 271 would be \$69,540 per year in FY 2017 and FY 2018. Based on the overall split in general and non-general funds in the state budget, approximately 40 percent of the cost would be general fund and 60 percent would be non-general funds.

The JLARC staff estimate is based on the expected number of qualifying adoptions each year multiplied by the expected cost of leave for each adoption. The estimate assumes there would be up to 15 adoptions each year where a state employee would qualify for the new leave benefit. These include all types of adoptions: foster care, private domestic, and international. Each qualifying adoption would have an estimated fiscal impact of \$4,636, assuming the employee receives the highest possible benefit (five weeks of leave at 100 percent pay) and is paid at the average state salary hourly rate (\$23.18 as of December 31, 2015). The fiscal impact calculation is presented below.

$$\begin{array}{r}
 15 \text{ qualifying adoptions per year} \\
 \times \quad \underline{\$4,636 \text{ cost of leave per qualifying adoption}} \\
 \hline
 \$69,540 \text{ total cost per year}
 \end{array}$$

The fiscal impact estimate depends heavily on how many qualifying adoptions are expected. Using multiple methods, JLARC staff estimated that there are up to 47 adoptions per year involving state employees (Table). However, only employees who adopt a child under the age of one would qualify for the new leave benefit. Nationally, 32.7 percent of adopted children were adopted before the age of one. This reduces the total number of adoptions where an employee would qualify for the new leave benefit to 15.

JLARC staff calculations make several assumptions regarding the number of qualifying adoptions per year: (1) adoption rates for state employees reflect those of the general Virginia population, (2) the percent of children under age one who are adopted by

Virginia state employees reflect national trends, (3) the available data on adoptions in Virginia and the United States, which is five to ten years old, is still valid.

Table: Calculation of the number of qualifying state employee adoptions

Step 1: Estimate total number of state employee adoptions per year

Method A: Estimate using ratio of adopted to non-adopted children in Virginia

$$\begin{array}{r}
 1,978 \text{ state employee births/adoptions per year*} \\
 \times \frac{2.2\% \text{ children in Virginia who are adopted}}{44 \text{ adoptions per year by state employees}}
 \end{array}$$

Sources: US Census Bureau, 2010; Virginia Department of Human Resources, FY 2013-2015

Method B: Estimate using ratio of annual adoptions to live births in Virginia

$$\begin{array}{r}
 1,978 \text{ state employee births/adoptions per year*} \\
 \times \frac{2.6\% \text{ ratio of Virginia adoptions to live births, per year}}{51 \text{ adoptions per year by state employees}}
 \end{array}$$

Sources: US Department of Health & Human Services, 2005-2008; Virginia Department of Health, 2005-2008; Virginia Department of Human Resources, FY 2013-2015

Method C: Estimate using the state adoption rate per 100,000 Virginia adults

$$\begin{array}{r}
 103,252 \text{ state employees**} \\
 \times \frac{45.5 / 100,000 \text{ Virginia adoptions per year, per 100,000 adults}}{47 \text{ adoptions per year by state employees}}
 \end{array}$$

Sources: US Department of Health & Human Services, 2007-2008; Virginia Department of Human Resources, 2015

Average of methods A-C

$$47 \text{ adoptions per year by state employees}$$

Step 2: Estimate portion of adoptions that would qualify employee for leave under SB 271

Apply national trends to state employee adoptions

$$\begin{array}{r}
 47 \text{ adoptions per year} \\
 \times \frac{32.7\% \text{ children in the U.S. adopted before age one}}{15 \text{ state employee adoptions qualifying for new leave category}}
 \end{array}$$

Source: US Department of Health & Human Services, 2007

*Average health insurance enrollments for all births/adoptions of children under one year of age, FYs 2013-2015.

**Average full-time equivalents (FTEs) for salaried state employees, FYs 2013-2015. FTE counts includes full-time employees who would be eligible for the benefit and part-time employees who would not be eligible, so method C likely overstates the number of adoptions by qualifying state employees by a small amount.

Budget amendment necessary? No. There is no cash expense associated with the addition of this leave category. The proposed leave cannot be accrued or cashed out. Other costs associated with implementing and administering the new leave category would be absorbed by DHRM.

Agencies affected: DHRM would be required to implement and administer the new leave category and absorb any associated costs. All other state agencies could be affected because the leave category is open to any full-time state employee with one or more years of service.

Prepared by: Mark Gribbin

Date: January 29, 2016