



OFFICE OF MANAGEMENT AND BUDGET
LOUISVILLE, KENTUCKY

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MEMO TO: Louisville Metro Council Labor & Economic Development Committee

FROM: Ernestine Booth-Henry, Daniel Frockt, and May Porter

SUBJECT: Fiscal Impact of Proposed Parental Leave Ordinance

DATE: January 19, 2021

Question to be Answered: What fiscal impact would the attached proposed parental leave ordinance have on Louisville Metro's FY22 operating budget?

This analysis is meant to provide an estimated cost of the proposed 12 weeks of paid parental leave benefit for Louisville Metro's fiscal year 2021-2022 (FY22) as the currently proposed ordinance would not go into effect until July 1, 2021.

Summary: The estimated cost of the proposed benefit would be a little less than \$4.4 million with a likely range from \$2.8 million to \$6.0 million depending on the level of backfill overtime required. Please see below for notes on data, analysis, and assumptions.

Data gathering and analytical method:

The Human Resources department pulled Family Medical Leave (FML) approvals related to birth or adoption for fiscal years 2018 and 2019. The Office of Management & Budget used a Position Control Report (PCR) of filled positions as of December 1, 2020 to estimate average wages by agency classification. Primary fringe benefit costs that are derivative of wages were included as part of the cost—specifically, the cost of pension (hazardous or non-hazardous rates), FICA, and workers' comp. Secondary fringe benefit costs such as life/disability or fixed ones such as health care were not considered in the analysis.

Agencies were divided into four groups for analysis:

1. Agencies that generally would have little to no overtime backfill costs such as Economic Development, OMB, Metro Council, etc.
2. LMPD as a stand-alone agency because two of their collective bargaining agreements (FOP Officers & Sergeants and FOP Captains & Lieutenants) already provide for two weeks of paternal leave and six weeks of maternal leave

3. Agencies that generally would have overtime backfill costs at a hazardous duty pension rate that included Fire, EMS from Emergency Services, and Corrections
4. Agencies that generally would have overtime backfill costs at a non-hazardous duty pension rate that included EMA from Emergency Services, Youth Transitional Services, Public Works & Assets, and Codes & Regulations

The average number of FML requests for complete calendar years 2018 and 2019 was identified by the four groupings of departments along with an associated average stated wage. There are variables to both assumptions in that it is difficult to determine who may access the benefit and within which departments. It may be more likely that employees on the less tenured side of the wage scale are more likely to access the benefit, but just as likely it may be more likely that overtime backfill would come from employees on the more tenured side of the wage scale. Additionally, some wage benefits are not encompassed in the stated rate of pay such as longevity payments, clothing/equipment payments, acting duty pay, etc. Not all Metro employees work an average of 40 hours per week. For example, EMTs and paramedics are routinely on an 84-hour/2-week work schedule and firefighters are on a statutory 24-on/48-off schedule that equates to 56 hours/week. Some Metro employees are funded through state or federal grant sources that may or may not allow the leave as an eligible expense (approximately 94-96% of total personnel costs fall within the General Fund depending on the year examined).

Potential savings from improved recruitment and/or retention were not estimated nor were potential costs from increased turnover due to mandatory overtime holds. Additionally, no programming or data reporting/tracking costs were estimated. The Office for Women within Resilience & Community Services began pursuing responses to the following questions when these types of savings/expenses were pursued for estimation in 2018 but firm data and/or responses has not been supplied to date or may not be available:

1. Did you see demonstrated health care savings from the implementation? If so, what form did that take? Fewer claims? Fewer pharmaceutical expenses? How did you measure/quantify those savings? Are you self-insured for health or do you purchase group health insurance? Did you isolate the associated expenses for those using the benefit or is the savings on the plan as a whole?
2. How has the benefit affected your retention rates? What were the retention rates before the benefit implementation and after the benefit implementation? What are the retention rates for those who access the benefit? Over what time period do you measure retention for employees who use the benefit—one-year, multi-year, other?
3. How has the benefit affected your recruitment efforts? Do you measure applicants per open position? Length of unfilled open positions? What were the statistics prior to benefit implementation and what are they now? Between the recruitment and retention (if improved), have you been able to realize hard cost savings such as a lower advertising cost or reduced HR recruitment personnel (or contract savings if outsourced)?

4. How did you estimate the usage of the benefit prior to the implementation? How did that estimate compare to your actual experience once implemented?
5. What is your overall leave benefit policy? Sick days accrued per year (the range if it is tenure-based)? Vacation days accrued per year (the range if it is tenure-based)? Paid Time Off (PTO), if you don't segment sick and vacation leave, accrued per year (the range if it is tenure-based)? Is there a maximum accrual balance for any of these types of leave? If so, what is that level? Do you allow all or a portion of these leave types to rollover year to year?
6. What was the average amount of leave used for childbirth/adoption prior to the benefit being implemented? What is it now?
7. Do you require FML to run concurrently with the parental leave benefit? If not, do you allow stacking of the leave?
8. How did you handle implementation of the benefit with any collective bargaining units (if applicable)?
9. Did you require any minimum length of employment to access the benefit? Was there any restriction on the frequency of access? Do you require any corresponding employee match (not necessarily 1-to-1) for leave to access the benefit?

The cost calculations assumed the average hourly compensation (wage plus primary fringe expense) by departmental/agency group multiplied the two-year average FML requests for birth/adoption multiplied by 40 hours/week for 12 weeks (except in the case of LMPD where the incremental benefit was assumed to be the midpoint of the difference between the existing leave of 2 or 6 weeks going to 12 for an estimated an additional 8 weeks of leave notwithstanding that LMPD does not have a 50%/50% split between those eligible for paternal and maternal leave nor is the existing benefit applicable to those not in the two unions listed).

An overtime backfill cost assumption was used at a 50% level for the three groups with applicable overtime backfill costs such as replacing a police officer, firefighter, corrections officer, EMT, garbage tipper, etc. The cost would diminish by approximately \$1.6 million if there was an assumption that no overtime would be needed, and it would be increased by \$1.6 million if there was an assumption that overtime would always be needed. For this analysis, a midpoint was taken. Regarding the non-OT agencies, there was no cost assumed for backfill, temporary hires, or delayed processes such as permitting, accounts receivable/payable, compliance, etc.

Additionally, no assumption was made that the benefit would change the pattern of usage—that is, the implied assumption is that births/adoptions would be no more likely to happen with the benefit than without the benefit. This analysis also assumes that the County Attorney's guidance that no side letter agreements with the approximately 75% of employees represented by collective bargaining agreements would be needed is valid and therefore the benefit would be applicable to all employees on July 1, 2021. Lastly, the analysis focused on full-time personnel only.

The primary fringe benefit calculations were the following:

1. For hazardous duty agencies: FY22 pension at 44.33%; FICA at 7.65%; and Workers' Comp at 5% for a total of 56.98%
2. For non-hazardous duty agencies: FY22 pension at 26.95%; FICA at 7.65%; and Workers' Comp at 1% for a total of 35.60%

Table of average hourly wages as of December 1, 2020:

	Filled FT EEs	Aggregate Stated Salary	Annual Salary Avg	Hourly Rate
LMPD	1,366	\$ 74,112,457	\$ 54,255	\$ 26.08
Fire, EMS, Corrections (OT Haz)	1,119	\$ 58,412,587	\$ 52,201	\$ 25.10
EMA, YTS, PWA, Codes (OT Non-Haz)	765	\$ 38,684,654	\$ 50,568	\$ 24.31
All Others	1,809	\$ 92,178,395	\$ 50,955	\$ 24.50
Total	5,059	\$ 263,388,092	\$ 52,063	\$ 25.03

Table of estimated benefit cost for FY22:

Ref #/Letter	(A) Non-OT Agencies	(B) LMPD	(C) OT w/ Haz	(D) OT w/o Haz	(E) Totals
1: Individuals w/ Children FML from FY2018 & FY2019:	40.0	93.5	37.5	12.5	183.5
2 Average Salary/Hour	\$ 24.50	\$ 26.08	\$ 25.10	\$ 24.31	
3 Average Fringe/Hour	\$ 8.72	\$ 14.86	\$ 14.30	\$ 8.65	
4 Average Total Comp/Hour	\$ 33.22	\$ 40.94	\$ 39.40	\$ 32.96	
5 40 hours per week	40	40	40	40	
6 # of weeks assumed	12	8	12	12	
7 Initial Benefit:	\$ 637,862	\$ 1,224,936	\$ 709,236	\$ 197,786	\$ 2,769,820
8					
9 Cost of Backfill at 1.5x for 50% of population:	\$ -	\$ 918,702	\$ 531,927	\$ 148,340	\$ 1,598,969
10					
11 Cost of Program:	\$ 637,862	\$ 2,143,639	\$ 1,241,162	\$ 346,126	\$ 4,368,789