Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **13-4163/1**	Introduction Number **AB-0898**

Description
Paid sick leave

Fiscal Effect

State:

[ ] No State Fiscal Effect
[ ] Indeterminate

- [X] Increase Existing Appropriations
- [ ] Decrease Existing Appropriations
- [ ] Create New Appropriations
- [ ] Increase Existing Revenues
- [ ] Decrease Existing Revenues
- [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
- [ ] Decrease Costs

Local:

[ ] No Local Government Costs
[ ] Indeterminate

1. [X] Increase Costs — [ ] Permissive [X] Mandatory
2. [ ] Decrease Costs — [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
5. Types of Local Government Units Affected
   [X] Towns [X] Village [X] Cities
   [X] Counties [ ] Others
   [X] School Districts [X] WTCS Districts

Fund Sources Affected

[X] GPR [X] FED [X] PRO [X] PRS [X] SEG [X] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

OSER 4/14/2014

LRB Number **13-4163/1**	Introduction Number **AB-0898**	Estimate Type **Original**
Description Paid sick leave		

Assumptions Used in Arriving at Fiscal Estimate

2013 Assembly Bill 898 mandating paid sick leave for all employees meeting certain criteria would increase wage costs for the state and many/most local governments. However, it is difficult to estimate the amount that costs would increase. This narrative will examine the impact on state and local governments separately.

THE STATE AS THE EMPLOYER
The greatest additional cost to the state would be providing paid sick leave to temporary (limited term, aka LTE) employees who currently are not eligible for paid sick leave or paid vacation leave. Based on calendar 2013 LTE employment data, for the executive branch only and excluding all of UW System, under this Bill up to 6,600 LTEs would have accrued an average of 16 hours of sick leave with a total wage value of $1.8 million (all funds, no fringe).

The following factors make $1.8 million a high-end estimate: Employees are not eligible to use the paid sick leave until they have been employed continuously for 90 days, and some LTE appointments do not last that long. If an LTE that takes paid sick leave does not need to be replaced on the job by additional hours from another employee, the cost to the state would be lost productivity, rather than an additional wage cost. Also, it is difficult to estimate how much of their accrued sick leave LTEs will actually use. There is no monetary incentive for LTEs not to use their sick leave, although if they are reemployed within a year they carry over any accrued sick leave they did not use from their previous appointment(s).

Under this Bill, it seems that LTEs that become permanent state employees that are already eligible for sick leave accrual would have their unused sick leave from the LTE position(s) added to their permanent employee sick leave accrual.

With regard to state employees in non-temporary positions, these "permanent" employees already accrue paid sick leave at a greater rate than mandated under this Bill. Therefore, any additional cost to the state would come from the additional purposes for using sick leave that are authorized under this Bill but are not currently allowed. These new authorized uses of sick leave would be to care for domestic partners and for various matters related to domestic abuse, sexual abuse, and stalking. It seems unlikely that the use of sick leave by permanent state employees would increase by a "large" amount. Also, just as was stated for LTEs, there may not be a monetary cost to the state unless another employee needs to work additional hours to replace the employee taking sick leave. Furthermore, permanent employees who expect to retire from state service have a monetary incentive to minimize sick leave usage through the conversion of unused sick leave at the time of retirement to credits to pay for health insurance during retirement. If this Bill were implemented and the use of sick leave among permanent employees did increase significantly, the immediate additional cost would be partially offset in the long run by the state's decreased liability to fund retirement health insurance from sick leave credits.

In summary, for the state as an employer the primary cost of this proposed legislation would be the new mandate of paid sick leave for temporary employees.

LOCAL GOVERNMENTS AND SCHOOL DISTRICTS
It is likely that some unknown number of local public entities do not currently extend paid sick leave to temporary employees, and would be mandated to do so under this Bill. It is also likely that some local public entities do not provide paid sick leave for all the purposes autorized under this Bill. Largely to the extent that local public employers would need to require additional hours from other employees to substitute for employees taking sick leave under this Bill, there would be increased cost to local public employers, but information is not available to estimate the increased costs.

Long-Range Fiscal Implications