

### At a Glance

#### S. 1664, Healthy Families Act

As reported by the Senate Committee on Health, Education, Labor, and Pensions on July 18, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	1	17
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	1	17
Spending Subject to Appropriation (Outlays)	0	562	not estimated

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	<b>&lt; \$2.5 billion</b>	Statutory pay-as-you-go procedures apply?	<b>Yes</b>
<b>Mandate Effects</b>			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	<b>&lt; \$5 billion</b>	Contains intergovernmental mandate?	<b>Yes, Over Threshold</b>
		Contains private-sector mandate?	<b>Yes, Over Threshold</b>

\* = between zero and \$500,000.

#### The bill would

- Require employers to provide an hour of leave, to use for specific purposes, for every 30 hours an employee works
- Prohibit employers from retaliating or discriminating against employees who use the new leave
- Authorize the Department of Labor to investigate violations and conduct a public awareness campaign
- Impose mandates by requiring public- and private-sector employers to offer the new leave to employees

#### Estimated budgetary effects would mainly stem from

- Compensation costs for federal and Postal Service employees using additional sick leave
- Increased annuities for retired federal employees

#### Areas of significant uncertainty include

- Estimating the amount of leave that employees would use under the bill
- Predicting the timing of Postal Service outlays related to the new leave entitlement

**Detailed estimate begins on the next page.**



## Bill Summary

S. 1664 would require all employers covered by the Fair Labor Standards Act (FLSA) to provide an hour of leave for every 30 hours an employee works. The bill would characterize the new leave as “sick leave” that would be available for employees to use for several purposes, including illness and injury, medical care, caring for a sick or injured family member, required school meetings, and absences related to domestic violence. Such leave would be available indefinitely. Employers who already provide leave meeting all of the requirements of the bill would not be required to provide additional leave.

The Department of Labor (DOL) would be authorized to enforce the provisions of S. 1664, investigate violations, conduct a public awareness campaign about the new sick leave requirements, and collect data on paid sick leave from employers.

## Estimated Federal Cost

The estimated budgetary effect of S. 1664 is shown in Table 1. The costs of the legislation fall within all budget functions other than 900 (net interest) and 950 (undistributed offsetting receipts). Costs associated with the Postal Service (USPS) fall within budget function 370 (commerce and housing credit), those related to DOL fall within budget function 500 (education, training, employment, and social services), and costs related to federal retirement benefits fall within budget function 600 (income security).

**Table 1.**  
**Estimated Budgetary Effects of S. 1664**

	By Fiscal Year, Millions of Dollars											2024-2029	2024-2034
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
<b>Increases or Decreases (-) in Direct Spending</b>													
Estimated Budget Authority	0	13	26	27	-66	1	1	2	3	4	6	1	17
Estimated Outlays	0	13	26	27	-66	1	1	2	3	4	6	1	17
<i>On-Budget</i>	0	*	*	*	*	1	1	2	3	4	6	1	17
<i>Off-Budget<sup>a</sup></i>	0	13	26	27	-66	0	0	0	0	0	0	0	0
<b>Increases in Revenues</b>													
Estimated Revenues	0	*	*	*	*	*	*	*	*	*	*	*	*
<b>Increases in Spending Subject to Appropriation</b>													
Estimated Authorization	0	24	131	136	140	144	n.e.	n.e.	n.e.	n.e.	n.e.	575	n.e.
Estimated Outlays	0	20	125	134	139	144	n.e.	n.e.	n.e.	n.e.	n.e.	562	n.e.

n.e.= not estimated; \* = between zero and \$500,000.

a. Cash flows for the Postal Service are recorded in the federal budget in the Postal Service Fund and are classified as off-budget direct spending.



## Basis of Estimate

S. 1664 would direct all employers that do not already do so to provide leave meeting the requirements of the bill. Although the federal government provides sick leave and annual leave under current law, such leave does not meet all of the bill’s requirements. Therefore, the bill would require the federal government to provide an hour of leave for every 30 hours a federal employee works in addition to annual and sick leave already provided. As an employer covered by the FLSA, the Postal Service also would be required to provide additional leave.

Compensation paid to most federal employees who use the new sick leave would be provided from spending subject to appropriation. USPS employees are paid from the Postal Service Fund; such payments are reflected in the budget as off-budget direct spending. Based on a preliminary assessment from the Office of Personnel Management (OPM), the new leave would count toward calculations of annuities when an employee retires, which would increase direct spending.

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2025 and that the estimated amounts will be available each year.

## Spending Subject to Appropriation

S. 1664 would increase spending subject to appropriation by \$575 million over the 2024-2029 period, CBO estimates (see Table 2). Assuming availability of the estimated amounts, implementing the bill would cost \$562 million over the same period. Those costs include the compensation that would be paid to federal employees who would use the new leave and DOL’s costs for enforcement and outreach.

**Table 2.**  
**Estimated Increases in Spending Subject to Appropriation Under S. 1664**

	By Fiscal Year, Millions of Dollars						2024-2029
	2024	2025	2026	2027	2028	2029	
<b>Sick Leave Compensation</b>							
Estimated Authorization	0	20	122	127	131	135	535
Estimated Outlays	0	19	117	126	131	135	528
<b>Enforcement and Outreach</b>							
Estimated Authorization	0	4	9	9	9	9	40
Estimated Outlays	0	1	8	8	8	9	34
<b>Total Changes</b>							
Estimated Authorization	0	24	131	136	140	144	575
Estimated Outlays	0	20	125	134	139	144	562

**Sick Leave Compensation.** S. 1664 would require the federal government to provide up to 56 additional hours of sick leave each year to its employees. Under current law, federal



employees are provided leave for all of the purposes specified in the bill, even if that leave does not meet all of the requirements specified in S. 1664. Sick leave is provided to federal employees for their own medical conditions and for those of a family member (sometimes subject to limitations), and annual leave can be used for other purposes required by the bill, such as seeking relocation after a domestic violence incident.

The estimated costs of sick leave under S. 1664 therefore arise from payments to federal employees who would have an unmet need for leave. Under current law, federal employees accrue 104 hours of sick leave annually; that leave is available indefinitely. Accrued annual leave also is available in successive years, up to a maximum amount, generally 240 hours.

Based on data from a DOL survey on family and medical leave, CBO estimates that 6 percent of new federal employees have an unmet need for leave and therefore would use the new leave. Longer-tenured employees would have a lower unmet need for leave because of their accrual of existing leave. Using information from OPM, CBO estimates that between 35,000 and 45,000 employees would use the new leave each year. At an average hourly rate of \$39 for those employees and after accounting for the cost of benefits, CBO estimates that under the bill, \$19 million in total would be paid to those employees in 2025. Those costs would rise to \$117 million as the bill is in effect for the full fiscal year and then increase as federal employees' salaries rise. Over the 2024-2029 period, the compensation paid to employees using leave provided under the bill would amount to \$528 million, CBO estimates. Such spending would be subject to appropriation of the estimated amounts.

**Enforcement and Outreach.** S. 1664 would provide DOL with the authority to ensure that employers comply with the new sick leave requirements, for example by investigating violations of the bill. The bill would authorize the department to collect data on the amount of sick leave provided and used annually and to conduct a public awareness campaign. Using information from the agency and based on data about similar activities, CBO estimates that implementing those provisions would cost \$34 million over the 2024-2029 period, subject to appropriation of the estimated amounts.

### **Direct Spending and Revenues**

CBO estimates that enacting S. 1664 would increase direct spending by \$17 million and increase revenues by less than \$500,000 over the 2024-2034 period (see Table 3).



**Table 3.  
Estimated Increases or Decreases in Direct Spending and Revenues Under S. 1664**

By Fiscal Year, Millions of Dollars												2024-2029	2024-2034
2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034			
<b>Retirement Annuities (On-budget)</b>													
Estimated Budget Authority	0	*	*	*	*	1	1	2	3	4	6	1	17
Estimated Outlays	0	*	*	*	*	1	1	2	3	4	6	1	17
<b>Postal Service (Off-budget)</b>													
Estimated Budget Authority	0	13	26	27	28	29	29	30	31	32	33	123	278
Estimated Outlays	0	13	26	27	28	29	29	30	31	32	33	123	278
<b>Operational Changes to Maintain the Postal Service Fund Balance (Off-budget)</b>													
Estimated Budget Authority	0	0	0	0	-94	-29	-29	-30	-31	-32	-33	-123	-278
Estimated Outlays	0	0	0	0	-94	-29	-29	-30	-31	-32	-33	-123	-278
<b>Total Increases or Decreases (-) in Direct Spending</b>													
Estimated Budget Authority	0	13	26	27	-66	1	1	2	3	4	6	1	17
Estimated Outlays	0	13	26	27	-66	1	1	2	3	4	6	1	17
<i>On-Budget</i>	0	*	*	*	*	1	1	2	3	4	6	1	17
<i>Off-Budget</i>	0	13	26	27	-66	0	0	0	0	0	0	0	0

\* = between zero and \$500,000.

S. 1664 would increase direct spending from fee-funded agencies. Those increases would be insignificant in each year and over the 2024-2034 period, CBO estimates. The bill also would increase civil penalties that DOL would collect and spend. Those penalties are classified as revenues and the resulting spending as direct spending. Each would be insignificant in every year and over the 2024-2034 period.

**On-Budget Spending and Revenues.** S. 1664 would affect on-budget direct spending by increasing outlays for retirement annuities, by changing spending from fee-funded agencies, and by the spending of penalties collected by DOL under the bill. (Those penalties are classified as revenues.)

*Retirement Annuities.* Annuities for postal and non-postal retirees are paid from the on-budget Civil Service and Retirement Disability Fund and are based on the duration of their employment with the federal government or USPS. Employees who retire and begin receiving an annuity immediately receive credit for accrued sick leave that effectively increases the length of time they have worked for the government or USPS. (Employees who separate from their employer and later begin receiving an annuity are not eligible for that credit.) The leave made available under the bill would increase those employees' sick leave



credits, resulting in larger annuities upon retirement. Because the leave made available under the bill would accumulate over time, sick leave credits would increase over the 2024-2034 period, increasing employees' calculated years of service by about a day in 2025 and rising to three months by 2034. Those credits would increase direct spending for retirees' annuities by \$17 million over the 2024-2034 period, in CBO's estimation.

*Fee-Funded Agencies.* Enacting S. 1664 also could affect direct spending by some agencies that are allowed to use fees, receipts from the sale of goods, and other collections to cover operating costs. CBO estimates that any net changes in direct spending by those agencies would be negligible because most of them can adjust amounts collected to reflect changes in operating costs.

*Receipt and Spending of Penalties.* Employers that violate the new rules created by S. 1664 would be subject to existing civil penalties under the FLSA. In addition, the bill would create a civil penalty for employers that fail to follow requirements to notify employees of the new rules. Civil penalties are recorded in the budget as revenues, and DOL has authority to spend most civil penalties collected under the FLSA without further appropriation. CBO expects that most employers would comply with the new rules. If employers do violate the rules, the extent to which DOL would seek civil penalties rather than other remedies is uncertain. As a result, CBO estimates that the additional penalty collections would be small and that enacting S. 1664 would increase revenues and direct spending alike by less than \$500,000 over the 2024-2034 period.

**Off-Budget Spending.** Under current law, the Postal Service's sick leave policies, which are subject to collective bargaining agreements, are set separately from those of OPM. Using information from USPS, CBO estimates that more than 90 percent of Postal Service employees are covered by those agreements. Employees of the Postal Regulatory Commission (PRC) also are covered by the Postal Service's sick leave policies. Using information from USPS and PRC, CBO expects that, to comply with the bill's requirements, both agencies would need to provide an additional hour of leave for every 30 hours worked by their employees.

Cash flows for USPS are recorded in the federal budget in the Postal Service Fund and are classified as off-budget direct spending. Under current law, the PRC receives an annual payment from the Postal Service Fund.

Using the same estimates of leave usage as for federal employees and information from USPS and PRC, CBO estimates that those employees earn \$30 an hour, on average, and that about 12,000 employees would use the new sick leave each year. After accounting for the cost of benefits and adjusting for anticipated inflation, CBO estimates that enacting S. 1664 would cost USPS \$278 million over the 2024-2034 period.



Under current law, however, CBO expects that USPS will exhaust both its borrowing authority and its reserve funds in 2028. As a result, CBO expects that the increases to direct spending out of the Postal Service Fund required under the bill would be fully offset by spending cuts beginning in that year. However, CBO has no basis on which to anticipate how USPS would achieve the spending cuts needed to cover the bill’s estimated costs.

**Uncertainty**

CBO’s estimates of the amount of the newly available sick leave that federal and postal employees would use under S. 1664 is subject to considerable uncertainty. Employees with health problems or family concerns could use a significant portion of their new leave; some employees might use none. Direct spending and spending subject to appropriation could differ markedly from the amounts estimated if a larger or smaller proportion of employees used significantly more or less of the new leave.

Additionally, the timing of outlays from the Postal Service Fund is uncertain. Although CBO expects that USPS would adjust its operations to offset the increased spending under S. 1664 in 2028, those adjustments could occur throughout the 2024-2034 period. Furthermore, the date that the Postal Service Fund will become insolvent is uncertain and depends on many factors, including changes in postal rates and demand for postal services. If the Postal Service Fund remains solvent beyond 2034, USPS will not need to adjust its spending within the 2024-2034 period to cover the bill’s costs. In that case, enacting S. 1664 would result in a significant net increase in off-budget direct spending over the 2024-2034 period.

**Pay-As-You-Go Considerations**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 4. (The revenue effects are insignificant in every year and over the 2024-2034 period.)

Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

**Table 4.**  
**CBO’s Estimate of the Statutory Pay-As-You-Go Effects of S. 1664, the Healthy Families Act, as Reported by the Senate Committee on Health, Education, Labor, and Pensions on July 18, 2023**

	By Fiscal Year, Millions of Dollars											2024-2029	2024-2034
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
	<b>Net Increase On-Budget Deficit</b>												
Pay-As-You-Go Effect	0	0	0	0	0	1	1	2	3	4	6	1	17



## **Increase in Long-Term Net Direct Spending and Deficits**

CBO estimates that enacting S. 1664 would not increase net direct spending by more than \$2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting S. 1664 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2035.

## **Mandates**

S. 1664 would impose mandates as defined in the Unfunded Mandates Reform Act (UMRA) by requiring public- and private-sector employers to offer the new sick leave to their employees. Using data from the Bureau of Labor Statistics, CBO estimates that the cost to comply with the mandates would exceed the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$100 million and \$200 million in 2024, respectively, adjusted annually for inflation).

CBO estimates that about 16 million full- and part-time private-sector employees would receive additional paid sick leave under the bill. CBO estimates that about 1.6 million predominantly part-time public-sector employees would receive additional paid sick leave. (This analysis excludes federal employees because the federal government does not qualify as a mandated entity under UMRA.) Using data from the Bureau of Labor Statistics on wages and average hours worked, CBO estimates the aggregate cost to employers to provide additional sick leave would be tens of billions of dollars per year.

S. 1664 would impose several other mandates on intergovernmental and private-sector employers. The bill would establish a list of qualified uses for sick leave, including mental illness or caring for a sick relative. Employers would be required to provide employees with information describing their rights under the bill and to preserve records pertaining to compliance with the bill's requirements. Employers would be prohibited from requiring an employee to find a replacement when using sick leave and from taking disciplinary or retaliatory actions against an employee.

The bill would allow public-sector employees to sue their employer for violations of the bill by waiving immunity for states that accept any federal aid. That waiver could impose an intergovernmental mandate, to the extent that courts would allow private action against the state as an employer.





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