

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (22-027)**

Subject

Initiative petition from Lisa D'Souza regarding a proposed amendment to Chapter 290 of the Revised Statutes of Missouri. (Received May 3, 2021)

Date

May 21, 2021

Description

This proposal would amend Chapter 290 of the Revised Statutes of Missouri.

The amendment is to be voted on in November 2022.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **Missouri Lottery**, the **State Tax Commission**, the **Missouri Veterans Commission**, the **Missouri Ethics Commission**, the **Missouri Office of Prosecution Services**, the **Kansas City Board of Police Commissioners**, the **Metropolitan Police Department - City of St. Louis**, the **St. Louis County Board of Elections**, the **Board of Election Commissioners City of St. Louis**, the **Kansas City**

Board of Election Commissioners, the Platte County Board of Elections, the Jackson County Election Board, the Clay County Board of Election Commissioners, the Lieutenant Governor's office, the Children's Trust Fund of Missouri, the Missouri Joint Municipal Electric Utility Commission, the State Auditor's office, the Metropolitan Zoological Park and Museum District, the Missouri Municipal League, the Missouri Bar Association, the Missouri Gaming Commission, the Municipal League of Metro St. Louis, University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, and Truman State University.

Amy Blouin, President & CEO, Missouri Budget Project provided information to the State Auditor's office.

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, they expect that their office could absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, their office may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no fiscal impact to their department.

Officials from the **Department of Elementary and Secondary Education** indicated no impact to their department.

Officials from the **Department of Higher Education and Workforce Development** indicated no impact to their department.

Officials from the **Department of Health and Senior Services** indicated they defer to the Office of Administration for response to this initiative petition.

Officials from the **Department of Commerce and Insurance** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no impact. This proposal excludes state employees.

Officials from the **Department of Labor and Industrial Relations** indicated:

Space is required for 10 full time employees (FTE) X 200 square feet per FTE X \$20.70 per square foot = \$41,400. This FTE will be located in Cole County.

Small business will be required to comply with the law and grant employees one hour of sick leave for every thirty hours worked. The rate of pay for each hour taken in sick leave is determined by a formula that takes into account the individual employee's hourly rate (or its equivalent for salaried employees) plus a calculation of current fringe benefits. This mandate will apply to all employers in the state, regardless of size, who are not currently providing an equal or greater sick leave benefit. Employers with 15 or more employees will be required to allow the use of 40 hours of sick leave per year and those with under 15 employees will need to allow the use of 24 hours per year.

Based on the most recent data available through the Quarterly Census of Employment and Wages (QCEW), there were an average of 216,229 employers in Missouri for 2020, with 182,616 of those employing less than 15 staff (482,325 total employees), and 33,613 employ 15 or more staff (2,176,397 total employees). Assuming the average hourly wage of \$24.29/hour for Missouri in 2020 and the more recent Bureau of Labor Statistic for the state that roughly 60% of employers do not provide paid leave to employees, the estimated costs to businesses as a result of this language would be:

- Up to \$168,705,709 for employers with less than 15 employees at 24/hours per year.
- Up to \$1,268,752,395 for employers with 15 or more employees at 40/hours per year.

This level of mandate of small businesses will be extremely costly for thousands of employers, especially considering that the allowable reasons to use sick leave are broad and include a variety of physical and mental illnesses as well as the ability to use such leave to prepare for designated legal proceedings. The ability to use such leave is allowed for "family members" which is defined broadly to extend to individuals who have no biological or legal relationship to the employee but rather stand in a relationship where the employee is "responsible for finding or arranging health or safety related care..." or has assumed an "in loco parentis" status.

Alleged failure of an employee to provide paid sick leave will subject the employer to both civil suits and criminal proceedings. Each day where an employer is found to be in violation of the law will constitute a separate offense (a C misdemeanor) along with its potentially associated fines and/or jail time.

This proposal would authorize the Department of Labor & Industrial Relations (DOLIR) to investigate allegations of non-compliance, to subpoena records, hold hearings, adjudicate such disputes and to issue fines in the amount of \$500 for each day of a violation.

They estimate it would need additional FTE and ongoing costs to set up and administer the program, and a new computer system will have to be developed for this program.

Since the proposal is subject to voter approval, their estimate covers the range of costs from non-approval by voters (\$0) or a decision to decline to undertake the statutorily permissible enforcement role (\$0) to full implementation of the proposal.

Cost Estimate – DOLIR

They estimate the total cost to develop, administer, and maintain the program to be over \$1.2 million per year (excluding benefits paid). In estimating the total costs of the program, they have used the following assumptions.

Program Operations – Sections 290.600-290.642

They estimate that three new or expanded sections will be required to administer the program: Call Center, increased staff for the Division of Labor Standards for investigative and adjudicatory functions, and an expanded administrative staff within their department to include additional attorneys in the Office of General Counsel to help conduct public hearings, administer legal process, advise on the levying of fines and to prepare cases for appeal under Chapter 536.

Call Center – Begins 1/1/23

They assume that a Call Center will be required to handle questions and concerns from claimants and employers. Based on the call volume for other programs, 3.00 Program Specialists (Range 5 - \$41,929) will be required to assist callers. The section will also require 1.00 Administrative Support Assistant (Range 3 - \$34,019) to provide administrative support and 1.00 Benefit Program Supervisor (Range 6 - \$47,071) to manage the unit.

Section #	290.600-290.642 Program Operations - Call Center - Begins 1/1/23					
Personal Services						
Job Class	Range	FTE	Salary	FY 2022	FY 2023	FY 2024
Benefit Program Specialist	5	3.00	\$41,929	\$62,894	\$125,787	\$127,045
Admin Support Asst	3	1.00	\$34,019	\$17,010	\$34,019	\$34,359
Benefit Program Supervisor	6	1.00	\$47,071	\$23,536	\$47,071	\$47,542
Total PS		5.00		\$103,439	\$206,877	\$208,946
Fringe Benefits				\$63,152	\$126,304	\$126,991
Equipment - One-Time Costs						
Standard Equipment per FTE	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Telecom Equipment	340	5.00	\$200	\$1,000		
Computer Equipment	480	5.00	\$1,607	\$8,035		
Office Equipment	580	5.00	\$6,530	\$32,650		
Total Equipment				\$41,685	\$0	\$0
Expenses - Ongoing Costs						
Standard Expenses per FTE	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Fuel & Utilities	180	5.00	\$460	\$2,300	\$2,358	\$2,417
Supplies	190	5.00	\$372	\$1,860	\$1,907	\$1,955
Housekeeping & Janitorial	420	5.00	\$345	\$1,725	\$1,768	\$1,812
Telecom Serv & Supp	340	5.00	\$794	\$3,970	\$4,069	\$4,171
Professional Services (Network)	400	5.00	\$399	\$1,995	\$2,045	\$2,096
Building Leases	680	5.00	\$4,140	\$20,700	\$21,218	\$21,748
Total Expenses				\$32,550	\$33,365	\$34,199
Total				\$240,826	\$366,546	\$370,136

Expense & Equipment (E&E)

They have utilized the standard per FTE costs when calculating operating expenses and equipment for this estimate. Additional mailing costs are detailed below.

Relief on Behalf of Affected Employees – Section 290.609.1 – Begins 1/1/23

The bill authorizes their department to bring enforcement actions against employers who do not abide by the law. This would require additional investigators, adjudicators, and attorneys.

The number of employees who would file complaints cannot be estimated at this time; however, for the sake of this estimate, they assume each case would require an average of 20 hours of attorney time and 20 hours of support staff time. For every 100 cases, 1.00 Attorney (\$60,000) and 0.25 of a Paralegal (\$40,000) would be required. If 100 cases are brought per year, this would require 2.00 Attorneys and 1.00 Paralegal. If there are more than 240 cases per year, and the staff are unable to absorb the additional workload, additional funding would be pursued via the appropriations process.

Standard E&E costs, along with mobile telephones and travel expenses for the Attorneys are also included in this estimate. The cost estimate assumes these cases would begin when the program becomes operational, January 1, 2023.

Section #	290.609.1 - Relief on Behalf of Affected Employees – Begins 1/1/23					
Personal Services						
Job Class	Range	FTE	Salary	FY 2022	FY 2023	FY 2024
Attorney		2.00	\$60,000	\$60,000	\$120,000	\$121,200
Paralegal		1.00	\$40,000	\$20,000	\$40,000	\$40,400
Total PS		3.00		\$80,000	\$160,000	\$161,600
Fringe Benefits				\$43,848	\$87,696	\$88,227
Equipment - One-Time Costs						
	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Telecom Equipment	340	3.00	\$200	\$600		
Computer Equipment	480	3.00	\$1,607	\$4,821		
Office Equipment	580	3.00	\$6,530	\$19,590		
Additional Equipment (Provide Explanation)						
Telecom-Mobile Device(s)	340	2.00	\$400	\$800		
Total Equipment				\$25,811	\$0	\$0
Expenses - Ongoing Costs						
Standard Expenses per FTE	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Fuel & Utilities	180	3.00	\$460	\$1,380	\$1,415	\$1,450
Supplies	190	3.00	\$372	\$1,116	\$1,144	\$1,173
Housekeeping & Janitorial	420	3.00	\$345	\$1,035	\$1,061	\$1,088
Telecom Serv & Supp	340	2.00	\$794	\$1,588	\$1,628	\$1,669
Professional Services (Network)	400	3.00	\$399	\$1,197	\$1,227	\$1,258
Building Leases	680	3.00	\$4,140	\$12,420	\$12,731	\$13,049
Additional Expenses (Provide Explanation)						
Travel, In-State	140	2.00	\$773	\$1,546	\$1,585	\$1,625
Telecom-Mobile Services	340	2.00	\$540	\$1,080	\$1,107	\$1,135
Total Expenses				\$21,362	\$21,898	\$22,447

Outreach – Section 290.621.2

Section 290.621.2 provides for their department to develop and implement an outreach program to ensure that employees who may be eligible to receive benefits are aware of the program. The outreach program will also educate Missouri's approximately 166,282 employers. Outreach materials will be available to our partners at Missouri Job Centers, business associations, and economic development agencies and mailed to all Missouri-registered businesses quarterly.

Promotional materials, and a brochure that targets businesses while still containing information for employees might be created. They estimate the total number of brochures printed and mailed annually at 700,000.

Section #	290.621.2 - Outreach - Begins 7/1/22					
Personal Services						
Job Class	Range	FTE	Salary	FY 2022	FY 2023	FY 2024
Graphic Arts Specialist III	6	0.003	\$47,071	\$136	\$0	\$0
Total PS		0.003		\$136	\$0	\$0
Fringe Benefits				\$78	\$0	\$0
	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Supplies (Postage & Printing)	190	700,000	0.55	\$385,000	\$394,625	\$404,491
Total Expenses				\$385,000	\$394,625	\$404,491
Total				\$385,214	\$394,625	\$404,491

Administrative Services

Since this legislation would, in effect, create a substantially expanded Division of Labor Standards within their department, it is anticipated their department will require 1.00 Deputy Division Director, and 1.00 Administrative Office Support Assistant to manage and coordinate operations of the division.

Section #	Administrative Services - begins 7/1/22					
Personal Services						
Job Class	Range	FTE	Salary	FY 2022	FY 2023	FY 2024
Deputy Director		1.00	\$70,000	\$70,000	\$70,700	\$71,407
Admin Support Asst	3	1.00	\$34,019	\$34,019	\$34,359	\$34,703
Total PS		2.00		\$104,019	\$105,059	\$106,110
Fringe Benefits				\$57,585	\$57,930	\$58,279
Equipment - One-Time Costs						
	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Telecom Equipment	340	2.00	\$200	\$400		
Computer Equipment	480	2.00	\$1,607	\$3,214		
Office Equipment	580	2.00	\$6,530	\$13,060		
Additional Equipment (Provide Explanation)						
Telecom-Mobile Device(s)	340	1.00	\$400	\$400		
Total Equipment				\$17,074	\$0	\$0
Expenses - Ongoing Costs						
Standard Expenses per FTE	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Fuel & Utilities	180	2.00	\$460	\$920	\$943	\$967
Supplies	190	2.00	\$372	\$744	\$763	\$782
Housekeeping & Janitorial	420	2.00	\$345	\$690	\$707	\$725
Telecom Serv & Supp	340	2.00	\$794	\$1,588	\$1,628	\$1,669
Professional Services (Network)	400	2.00	\$399	\$798	\$818	\$838
Building Leases	680	2.00	\$4,140	\$8,280	\$8,487	\$8,699
Additional Expenses (Provide Explanation)						
Travel, In-State	140	1.00	\$773	\$773	\$792	\$812
Telecom-Mobile Services	340	1.00	\$540	\$540	\$554	\$568
Total Expenses				\$14,333	\$14,692	\$15,060

They further assume that additional administrative services staff will be required including legal counsel, financial management, mail services, facility management, procurement, training, and human resources. For the purposes of this estimate they project indirect costs at 5% of program operations costs (personal services and fringe benefits) beginning in fiscal year (FY) 2022. One full year of administrative costs, would be realized in FY 2022 \$215,624, FY 2023 \$214,874, and FY 2024 \$216,957.

Standard Equipment per FTE	BOBC	Units	Cost	FY 2022	FY 2023	FY 2024
Administrative 5% Indirect Costs				\$22,613	\$37,193	\$37,508
Total Administrative Cost				\$215,624	\$214,874	\$216,957

They estimate the total cost to develop, administer, and maintain the program to be over \$1.2 million per year (excluding benefits paid).

	FY-2022	FY-2023	FY-2024
Personal Services	\$287,594	\$471,936	\$476,656
Fringe Benefits	\$164,663	\$271,930	\$273,497
Equipment and Expense	\$560,428	\$501,773	\$513,705
Total	\$1,012,684	\$1,245,639	\$1,263,858

Of these costs, \$84,570 are one-time equipment costs in FY 2022.

Officials from the **Department of Revenue** indicated no impact.

Officials from the **Department of Public Safety** indicated no impact for their department.

Officials from the **Department of Social Services** indicated this will have no fiscal impact for their department.

Officials from the **Governor's Office** indicated this proposal relating to levels of sick leave available to employees should not fiscally impact their office.

Officials from the **House of Representatives** indicated no fiscal impact.

Officials from the **Department of Conservation** indicated there is no anticipated fiscal impact (cost or savings) to their department associated with this initiative petition.

Officials from the **Department of Transportation** indicated this initiative petition would have no fiscal impact to their department/Missouri Highways and Transportation Commission.

Officials from the **Office of Administration** indicated this proposal relating to levels of sick leave available to employees should not fiscally impact their office.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

Their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year (FY) 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. Their office estimates \$75,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated no fiscal impact for their office.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from **Clay County** indicated this petition appears to exempt local governments. However, their county already meets the requirements herein as they provide 3.69 hours of sick leave per pay period with a 1000 hour max. Therefore, there is no fiscal impact on their county.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition.

Officials from **St. Louis County** indicated they do not have any information to provide.

Officials from the **City of Kansas City** indicated this initiative petition will have no fiscal impact on their city.

Officials from the **City of St. Louis** indicated the City of St. Louis Personnel Department has determined that the city would be exempted from the amended statutes because the definition of "employer" in chapter 290.600 specifically excludes political subdivisions of the state.

Officials from **Metropolitan Community College** indicated no fiscal impact to their college.

Officials from **University of Missouri** indicated they do not anticipate a significant financial impact.

Officials from the **Missouri Lottery** indicated no fiscal impact to their agency.

Officials from the **State Tax Commission** indicated no fiscal impact on their agency.

Officials from the **Missouri Veterans Commission** indicated this initiative petition will have no fiscal impact upon their agency. The definition of the term "employer" in the proposed section 290.600(6) RSMo explicitly excludes the State and its agencies, so the provisions of the petition would not apply to the Commission should it become law.

Officials from the **Missouri Ethics Commission** indicated they defer to the Office of Administration.

Officials from the **St. Louis County Board of Elections** indicated this would have no fiscal impact on their Board.

Officials from the **Board of Election Commissioners City of St. Louis** indicated this proposed measure would have no fiscal impact on their organization.

Officials from the **Children's Trust Fund** indicated no impact for the Office of Administration/Children's Trust Fund.

Officials from the **State Auditor's office** indicated since this proposed initiative petition does not apply to government entities, this would have no fiscal impact on their office.

Officials from the **Missouri Gaming Commission** indicated the proposal will have no fiscal impact on their agency.

Officials from **University of Central Missouri** indicated they have determined there is potential for future fiscal impact but too speculative to estimate impact.

Section 290.603 and beyond starts the portions that will have a fiscal impact. The component that every employee after 30 hours shall be granted paid sick leave is huge when you factor in student workers, temps, adjuncts, etc. Additionally, there is a provision that states that an employee rehired within 9 months of separation shall be entitled to all unused paid sick time that was on their account when they left. This is going to be a huge administrative burden and require, at minimum, the purchase of a time and attendance system that can be programmed to track all of the variations.

Section 290.627 has provisions for civil litigation, charges, and awards for damages for violation of the provisions of this act, which is where the real ambiguous component to fiscal implication and indeterminate concerns are based.

Amy Blouin, President & CEO, Missouri Budget Project provided the following information:

Earned Sick Leave in Missouri: Costs and Savings for Employers

In addition to helping employees by allowing them to address their health needs without losing their jobs or ability to pay their bills, paid sick leave has many benefits for employers, including a healthier workforce, reduced turnover, and increased productivity. The benefits of paid sick leave have been highlighted by the current COVID-19 pandemic, illustrating the importance of workers being able to recover at home without lost wages and without risking spread of contagious disease in the workplace.

Several possible 2022 ballot measures have been filed that would require employers to provide earned sick leave in Missouri. Though the measures vary slightly, each would require employers to provide a minimum of 3-7 days of paid leave to employees, depending on hours worked and size of business. Public employees are exempt in all versions. If implemented, Missouri would join the thirteen states, plus the District of Columbia, (in addition to dozens of municipalities) who ensure employees can earn paid sick leave to care for themselves or family members.ⁱ

This analysis documents the number of people who may be impacted under Missouri's proposals and how access to paid sick leave reduces employer costs. Similar savings have been documented by research covering a variety of states that have implemented earned sick leave policies.ⁱⁱ The table below provides an overview of the estimated costs and savings for employers in Missouri. **We find that expanding earned sick leave to Missouri's nearly 538,000 workers without access would provide a net savings to employers of approximately \$17.4 million annually.**

Estimated Costs and Savings to Employers from Earned Sick Leave in Missouri

	Cost/Savings Per Employee			
	Total Annual	Annual	Weekly	Hourly
Costs	\$238.05M	\$442.61	\$8.51	\$0.21
Cost for Sick Leave	\$230.35M			
Cost for Parental Leave	\$7.7M			
Savings	\$255.45M	\$474.95	\$9.13	\$0.23
Reduced Turnover	\$147.59M			
Reduced Presenteeism	\$82.27M			
Reduced Flu Contagion	\$25.59M			
Net Savings	\$17.4M	\$32.34	\$0.62	\$0.02

Access to Paid Sick Leave in Missouri

Based on an analysis of data from the Missouri Department of Economic Development (MERIC), the U.S. Bureau of Labor Statistics, and the U.S. Census Bureau, we estimate that approximately one in four (or nearly 538,000) Missouri workers would be newly covered by earned sick leave provisions through the ballot measures. These workers are concentrated primarily in service, sales & office, and production, transportation, & material moving related occupations.

Estimated Number of Workers Newly Covered by Paid Sick Leave in Missouri by Occupation

Occupation	Total Employment	Share Exempt	Workers Covered by Initiatives	Share with No Sick Leave	Estimated Workers Newly Covered
Management, Business, Science, and Arts	870,750	27%	636,515	8%	50,921
Service	609,500	25%	458,619	41%	188,034
Sales and Office	674,870	16%	568,561	23%	130,769
Natural Resources, Construction, and Maintenance	224,740	23%	172,541	32%	55,213
Production, Transportation, and Material Moving	440,740	9%	403,199	28%	112,896
Total	2,820,600	21%	2,239,435	24%	537,833

Note: Estimated workers covered by paid leave initiatives calculated as the total number of employees by occupationⁱⁱⁱ less the share of that occupation estimated to be exempt (self-employed or local, state, and federal government workers).^{iv} Workers newly covered calculated as the total number of workers covered less the share of private workforce that already has access to paid sick leave by occupation.^v

Cost of Earned Sick Leave to Employers

Employers would be responsible for the wages and associated benefits (such as payroll taxes and insurance) of newly eligible workers who take earned sick leave. Based on average daily wages and benefits in 2019 (see Appendix for detailed calculations), we estimate that Missouri employers would spend approximately \$235 million annually on wages & benefits for workers newly eligible for earned sick leave.

Estimated Annual Cost of Earned Sick Leave to Employers

	Wages	Benefits	Total
Cost for Sick Leave	\$163,333,388	\$67,013,220	\$230,346,608
Cost for Parental Leave	\$5,462,868	\$2,241,332	\$7,704,200
Total	\$168,796,256	\$69,254,552	\$238,050,808

Note: Average cost of earned sick leave calculated as average daily cost of wages & benefits multiplied by the average number of sick days per year^{vi} (2.1) taken by workers with access to paid sick leave (or in the case of parental leave an additional 4.9 days per year for a total of 7 days); annual cost per worker is then multiplied by the number of newly covered workers by occupation to determine the annual cost of compensation for workers taking earned sick leave.

Sick Leave. Employees with access to paid leave generally do not use the full amount of paid sick leave to which they are entitled annually. A typical worker with paid sick leave uses 2.1 days of sick leave a year; around 45% of employees with access to paid leave use no sick time at all in a given year.^{vii} **Adjusting for average wage by occupation, the cost of wages & benefits for newly eligible employees at 2.1 days per year is \$230.3 million dollars annually.**

Parental Leave. We also assume that women who give birth will use the maximum amount of annual earned sick time (or an additional 4.9 days to equal a total of 7 sick days). Each year, 72,127 Missouri women give birth.^{viii} Adjusting for employment rate among women in Missouri (56%),^{ix} the estimated share of women working who are exempt (21%), and the share already covered by paid sick leave (76%), we estimate that 7,709 Missouri women will use these additional sick days for maternity care annually. **The cost of wages & benefits for newly eligible women who give birth is \$7.7 million annually.**

Savings from Earned Sick Leave to Employers

The cost of earned sick leave to employers is offset by significant cost savings derived from benefits such as reduced employee turnover, reduced presenteeism (employees working at reduced capacity while sick or injured), and reduced contagion in the workplace. **We estimate that Missouri employers would save at least \$255.4 million annually due to the implementation of earned sick leave policies.**

Estimated Annual Savings from Earned Sick Leave to Employers

	Wages	Benefits	Total
Reduced Turnover	\$104,650,035	\$42,936,327	\$147,586,363
Reduced Presenteeism	\$58,333,353	\$23,933,293	\$82,266,646
Reduced Flu Contagion	\$18,147,602	\$7,445,687	\$25,593,288
Total Savings	\$181,130,990	\$74,315,307	\$255,446,297

Note: Reduced turnover calculated by assuming a reduction in job turnover of 2.5 percentage points for those with new access to paid sick leave^x at a cost of 20.7% of annual wages.^{xi} Reduced presenteeism calculated by assuming workers without access to paid sick leave will work an average of 1.5 days while sick or injured^{xii} at 50% effectiveness. Cost of reduced flu contagion calculated based on method presented in Abay, Rosa, & Pana-Cryan Appendix 3 using average estimates.^{xiii}

Reduced Turnover. Access to paid sick leave gives workers the ability to address their health needs and those of their families, without having to quit a job or risk being fired. Access to paid sick leave is associated with reduced job turnover, which in turn creates significant savings for businesses.^{xiv} **We estimate that Missouri employers will save \$147.6 million annually due to reduced turnover in the workplace.**

Reduced Presenteeism. Employers who do not offer paid sick leave have higher rates of “presenteeism” or lost productivity due to employees working while injured or sick.^{xv} Offering paid sick leave reduces the likelihood of working at reduced capacity and allows workers to recover from illness or injury more quickly. **We estimate that Missouri employers will save \$82.3 million annually due to reduced presenteeism in the workplace.**

Reduced Flu Contagion. Workers without paid sick leave are more likely to come to work sick, increasing the likelihood of spreading the illness to other workers.^{xvi} Access to paid sick leave allows workers to stay home when ill, reducing absenteeism related to contagious disease such as influenza. **We estimate that Missouri employers will save \$25.6 million annually due to reduced flu contagion in the workplace.**

Appendix

Average Daily Wages & Benefits Used for Cost/Savings Calculations

Occupation	Average Hourly Wage	Average Work Hours/Day	Daily Estimated Average		
			Wage	Benefits	Total Compensation
Management, business, science, and arts	\$34.93	7.41	\$258.82	\$113.11	\$371.93
Service	\$13.58	7.48	\$101.57	\$30.99	\$132.56
Sales and Office	\$18.79	7.20	\$135.31	\$52.37	\$187.68
Natural Resources, Construction, and Maintenance	\$24.39	8.11	\$197.89	\$93.93	\$291.83
Production, Transportation, and Material Moving	\$18.16	8.23	\$149.51	\$73.43	\$222.94

Note: Average daily wage estimated by occupation using the average hourly wage by occupation^{xvii} multiplied by average daily work hours by occupation.^{xviii} The annual cost of benefits is calculated using the average cost of benefits as a share of total compensation by occupation.^{xix} Total compensation equals the total cost of wages and benefits to employer.

Notes

- i. All Missouri Workers Must Have Paid Sick Days to Open the Economy.” National Partnership for Women & Families, 2020, www.nationalpartnership.org/our-work/economic-justice/frontline-workers/missouri.html.
- ii. See Lovell, V. (2005). Valuing good health: An estimate of costs and savings for the Healthy Families Act. Washington, DC: Institute for Women’s Policy Research.; See McKee & Milli (2019). Valuing good health in Massachusetts: The Costs and Benefits of Earned Sick Days. Washington, DC: Institute for Women’s Policy Research.
- iii. Occupational Employment and Wage Estimates (OES) provided by the Missouri Department of Economic Development/MERIC in cooperation with the U.S. Department of Labor Bureau of Labor Statistics (BLS).

- iv. U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates. Table C24060: Occupation By Class Of Worker For The Civilian Employed Population 16 Years And Over.
- v. National Compensation Survey: Employee Benefits in the United States, March 2020. U. S. Bureau of Labor Statistics (BLS).
- vi. Xia, J., Hayes, J., Gault, B., & Nguyen, H. (2016). Paid sick days access and usage rates vary by race/ethnicity, occupation, and earnings. Institute for Women's Policy Research. February, 17.
- vii. Xia, J., Hayes, J., Gault, B., & Nguyen, H. (2016). Paid sick days access and usage rates vary by race/ethnicity, occupation, and earnings. Institute for Women's Policy Research. February, 17.
- viii. Martin, J. A., Hamilton, B. E., JK, O. M., & Driscoll, A. K. (2021). Births: Final Data for 2019.
- ix. U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates. Table DP03: Selected Economic Characteristics
- x. Hill, H. D. (2013). Paid sick leave and job stability. *Work and occupations*, 40(2), 143-173.
- xi. Boushey, H., & Glynn, S. J. (2012). There are significant business costs to replacing employees. *Center for American Progress*, 16, 1-9.
- xii. DeRigne, L., Stoddard-Dare, P., & Quinn, L. (2016). Workers without paid sick leave less likely to take time off for illness or injury compared to those with paid sick leave. *Health Affairs*, 35(3), 520-527.
- xiii. Abay Asfaw, D., Rosa, R., & Pana-Cryan, R. (2017). Potential economic benefits of paid sick leave in reducing absenteeism related to the spread of influenza-like illness. *Journal of occupational and environmental medicine*, 59(9), 822.
- xiv. Hill, H. D. (2013). Paid sick leave and job stability. *Work and occupations*, 40(2), 143-173.
- xv. DeRigne, L., Stoddard-Dare, P., & Quinn, L. (2016). Workers without paid sick leave less likely to take time off for illness or injury compared to those with paid sick leave. *Health Affairs*, 35(3), 520-527.
- xvi. Abay Asfaw, D., Rosa, R., & Pana-Cryan, R. (2017). Potential economic benefits of paid sick leave in reducing absenteeism related to the spread of influenza-like illness. *Journal of occupational and environmental medicine*, 59(9), 822.
- xvii. Occupational Employment and Wage Estimates (OES) provided by the Missouri Department of Economic Development/MERIC in cooperation with the U.S. Department of Labor Bureau of Labor Statistics (BLS)
- xviii. Bureau of Labor Statistics (BLS) American Time Use Survey – 2019 results.
- xix. U.S. Bureau of Labor Statistics Employer Costs for Employee Compensation – December 2020. Table 4: Employer Costs for Employee Compensation for private industry workers by occupational and industry group

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Cole County, Jackson County, Jasper County, St. Charles County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, St. Louis Community College, the Missouri Office of Prosecution Services, the Kansas City Board of Police Commissioners, the Metropolitan Police Department - City of St. Louis, the Kansas City Board of Election Commissioners, the Platte County Board of Elections, the Jackson County Election Board, the Clay County Board of Election Commissioners, the Lieutenant Governor's office, the Missouri Joint Municipal Electric Utility Commission, the Metropolitan Zoological Park and Museum District, the Missouri Municipal League, the Missouri Bar Association, the Municipal League of Metro St. Louis, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, and Truman State University.**

Fiscal Note Summary

State governmental entities estimate no savings, one-time costs ranging from \$0 to at least \$84,000, and ongoing costs ranging from \$0 to \$1.2 million per year by 2024. Local governmental entities estimate no costs or savings.