



Insight

The Fiscal Cost of a Paid Parental Leave Program by State

BEN GITIS | SEPTEMBER 24, 2018

There is growing interest across the political spectrum in a new federal paid parental leave program to support parents during the birth or adoption of a child. A variety of proposals are currently circulating, and a point of differentiation is the amount of resources required to introduce the new benefit.

As federal policymakers consider the nationwide cost of a new paid parental leave benefit, a separate, but related, question emerges: How much would it cost by state? This question is surprisingly complicated to answer. Some may assume that the cost would simply depend on the size of each state's general population. But a number of demographic and behavioral factors that impact parental leave differ considerably by state. For instance, a paid leave benefit would likely be costlier in states with high fertility rates and a high density of workers in their 20s and 30s. The cost of the benefit also could depend on local cultural views about work and parenting, which would impact the number of individuals who decide to take parental leave and claim the benefit. Thus, the cost of a paid parental leave program in each state is unlikely solely dependent on state population.

Over the last few years, the American Action Forum (AAF) has examined family leave [data](#) and refined its methods for [estimating the budgetary costs of paid leave proposals](#). Additionally, the author of this insight collaborated with a joint American Enterprise Institute (AEI)-Brookings Institution working group both on a [report](#) detailing the factors that impact the estimated budgetary costs of paid leave proposals and on an [online calculator](#) that enables users to estimate the costs of their own proposals.

To estimate the cost of paid leave in each state, this analysis uses the paid parental leave program [proposed](#) by the AEI-Brookings working group. That proposal would provide paid parental leave universally to both new mothers and new fathers for up to eight weeks. The program would replace 70 percent of a worker's usual weekly earnings, up to \$600 per week. Assuming program use resembles leave-taking patterns under the Family and Medical Leave Act of 1993 (FMLA), the leave benefits would have totaled \$12.7 billion nationwide in 2017 (had they been available that year).

The table below provides estimates of how those benefits would have been distributed by state, assuming the federal program would replace any existing state paid leave benefits. For rough estimates, the analysis assumes that the distribution of paid leave benefits would match the distribution of employed persons ages 20 to 44 (thus taking into account one of the factors mentioned above).^[1]

The Cost of Paid Parental Leave Benefits by State

State	Cost (in millions)	Benefits Paid as Percentage of Total Wages
Alabama	\$170	0.19%

Alaska	\$30	0.17%
Arizona	\$260	0.19%
Arkansas	\$110	0.22%
California	\$1,580	0.14%
Colorado	\$260	0.18%
Connecticut	\$140	0.12%
Delaware	\$40	0.15%
District of Columbia	\$40	0.06%
Florida	\$760	0.18%
Georgia	\$410	0.18%
Hawaii	\$50	0.16%
Idaho	\$70	0.23%
Illinois	\$500	0.15%
Indiana	\$260	0.19%
Iowa	\$130	0.19%
Kansas	\$120	0.19%
Kentucky	\$160	0.19%
Louisiana	\$170	0.19%
Maine	\$50	0.18%
Maryland	\$240	0.15%
Massachusetts	\$280	0.11%
Michigan	\$370	0.17%

Minnesota	\$240	0.15%
Mississippi	\$110	0.24%
Missouri	\$240	0.18%
Montana	\$40	0.21%
Nebraska	\$80	0.19%
Nevada	\$120	0.19%
New Hampshire	\$50	0.14%
New Jersey	\$340	0.13%
New Mexico	\$70	0.20%
New York	\$770	0.12%
North Carolina	\$390	0.18%
North Dakota	\$40	0.17%
Ohio	\$440	0.17%
Oklahoma	\$150	0.21%
Oregon	\$170	0.18%
Pennsylvania	\$480	0.15%
Rhode Island	\$40	0.17%
South Carolina	\$180	0.20%
South Dakota	\$30	0.19%
Tennessee	\$260	0.18%
Texas	\$1,130	0.17%
Utah	\$140	0.21%

Vermont	\$20	0.17%
Virginia	\$340	0.15%
Washington	\$300	0.15%
West Virginia	\$60	0.19%
Wisconsin	\$240	0.18%
Wyoming	\$20	0.18%

To gauge the relative significance of the paid leave benefits, the table also states the cost as a percentage of total wages paid to workers in each state.^[2] Clearly, the paid leave program would be most costly in states with a high concentration of younger workers. In particular, the program would be costliest in Arkansas, Idaho, Mississippi, New Mexico, Oklahoma, South Carolina, and Utah, where the paid leave benefits would be equivalent to at least 0.2 percent of wages.

It is important to emphasize that these are imprecise estimates, merely intended to provide a rough order of magnitude of the benefits in each state. In particular, the analysis only takes into account age demographics of employed persons in each state. It is unable to consider potential behavioral differences across states, however, instead assuming that leave-taking behaviors in states uniformly match the behaviors under the FMLA. Contrary to this assumption, existing evidence indicates that leave-taking behaviors are not uniform across states. For instance, when the AEI-Brookings working group report on the cost of paid leave programs assumed federal program use would match the experience of existing state paid leave programs, it found that the estimated cost varied significantly by state program used. The report found, for example, that the cost of a federal paid parental leave benefit when assuming take-up under California’s and Rhode Island’s programs is more than double the cost when assuming take-up under New Jersey’s program. Behavioral differences would also likely impact leave-taking patterns across states under a federal program. Unfortunately, the state-level data needed to incorporate those behavioral differences into the cost estimates do not exist.

[1] The state-by-state distribution of employed persons ages 20 to 44 is calculated using data from Preliminary 2017 Annual Averages, Expanded State Employment Status Demographic Data, Local Area Unemployment Statistics, the Bureau of Labor Statistics, <https://www.bls.gov/lau/ex14tables.htm>.

[2] Quarterly Census of Employment and Wages, Bureau of Labor Statistics, <https://www.bls.gov/cew/>.