




CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

M E M O R A N D U M

To: Mayor Edwin Lee
Members, Board of Supervisors

From: Ben Rosenfield, Controller 

CC: Pat Mulligan, Director Office of Labor Standards and Enforcement

Subject: Paid Family Leave Costs for City-Funded Non-Profits

Date: June 15, 2016

The recently-adopted ordinance expanding paid parental leave in San Francisco required that our office estimate and report on the costs of this requirement for City-funded contracts with non-profit organizations. We estimate the additional cost of the benefit expansion to be up to \$720,000 for all contracts, or \$575,000 for those funded from the General Fund. While some of this impact will first occur in fiscal year (FY) 2016-17, the full impact will not be realized until FY 2018-19, given the tiered phase in of the benefit for employers of various sizes between January 1, 2017 and January 1, 2018.*

The Office of Economic Analysis in the Controller's Office estimates that expanding paid parental leave will cost all covered employers in the city between \$15 million and \$33 million annually, depending on how the new benefit level increases utilization of this form of paid leave.

This represents an increase in private sector labor costs of between 0.03% and 0.07%. This same general increase in labor costs can be expected in non-profit employers, adjusting for a workforce in non-profit organizations that generally is marginally younger and potentially more likely to have children. Our estimate of the cost of service contracts purchased through community-based non-profit organizations is approximately \$611 million, of which \$486 million are funded from the General Fund. We estimate that approximately 50% to 75% of these costs are for labor expenses. Allowing for non-profit workers to be 50% more likely than other San Francisco workers to have children, this method leads to an estimate that the cost of the benefit expansion would range between approximately \$150,000 and \$450,000 annually, with approximately 80% of this cost attributable to General Fund contracts.

An alternate method for estimating these costs yields similar results. At present, approximately 2% of all employees in the city have a child under the age of one in their household. This percentage is not appreciably higher for the social services sector than it is for the city as a whole. The Human Services Network estimates that there are approximately 10,000 employees working on City-funded non-profit contracts. If 2% of these employees have a new child each year, and all of these employees take paid leave, this would lead to approximately 200 additional paid parental leave claims under the program annually. We estimate the maximum average cost of each claim to be approximately \$3,600, for a total contract cost of \$720,000, of which approximately \$575,000 is attributable to General Fund contracts.

While this labor cost increase should be modest and manageable for many organizations, the City could consider adoption of a subsidy program for those organizations that cannot. Should you wish to pursue such a program, we would suggest appropriating funds for this purpose in the coming fiscal year budget. The Controller's Office would then work with affected contracting departments to establish the administrative guidelines to disburse these funds.

* Non-profit employers with 50 or more employees are required to comply beginning on January 1, 2017, while those with 35 or more employees are required to comply by July 1, 2017, and those with with 20 or more employees by January 1, 2018.