SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3645 Amended by House Ways and Means on April 9, 2025
Subject:	Paid Family Leave
Requestor:	House Ways and Means
RFA Analyst(s):	Tipton
Impact Date:	April 16, 2025 - Updated for Additional Agency Response

Fiscal Impact Summary

This bill as amended expands paid parental leave for eligible state employees from 6 weeks to 12 weeks for the birth of a child and from 2 weeks to 4 weeks for a co-parent after the birth of a child or for fostering a child from state custody under §8-11-150 or for the adoption of a child under §8-11-155. An employee's paid parental leave is based on an employee's average workday. The bill specifies that any state employee who occupies a position eligible to earn annual leave, including those employed by a four-year or postgraduate state institution of higher learning or state technical college, is eligible for paid parental leave. Under §8-11-151 and §8-11-156, this extension of parental leave would also apply to school district employees. Currently, eligible employee is defined as an employee occupying any percentage of a full-time equivalent position. This bill also increases the paid leave for the adoption of a child from 6 weeks to 12 weeks for the primary caregiver and from 2 weeks to 4 weeks for a parent who is not the primary caregiver pursuant to §8-11-155. An employer may require an employee to use paid parental leave before using annual leave if the employee's leave is taken pursuant to the Family and Medical Leave Act (FMLA). This bill takes effect on October 1, 2025.

State agencies and institutions may face additional personnel needs associated with managing the workload from employees taking 12 or 4 weeks of leave and as such, may experience an increase in expenditures if it is necessary to hire temporary employees or offer current employees a temporary salary increase to manage the workload. Further, under the bill, employees would not be required to use accrued sick and annual leave for these additional weeks and instead may use the additional paid parental leave for qualifying events. As such, agencies may experience an increase in expenses resulting from employees accruing additional leave if an employee separates from covered employment. However, as this will vary by agency and institution, the impact of this bill is undetermined.

This bill is not expected to have an expenditure impact on the Department of State Human Resources (DSHR) as the management of the change is expected to take place under normal agency operations.

The expansion of paid parental leave may impact school district expenditures. To determine the potential impact, the SC Department of Education (SCDE) surveyed each school district and received 32 responses, as well as responses from the Governor's School for Science and Mathematics, the Governor's School for Arts and Humanities, and the Charter Institute at

Erskine. The responses varied widely, partially by size of district and partially by assumed costs and number of weeks of leave taken. Most responding school districts estimated the total impact related to the added cost of substitute teachers as well as the salary and fringe expenses for teachers using the additional paid parental leave, both based on a maximum of 6 additional weeks of leave, which would overstate the impact as some employees are taking up to 12 weeks of leave currently. The salary and fringe amount for teachers using paid parental leave represent currently budgeted expenses. Therefore, the increase in district expenses would be for the cost of a substitute for any additional weeks of leave that the employee would not have taken without the expanded parental leave policy. Substitute teacher rates vary by district and level of teaching certification and range from approximately \$125 to \$390 per day. Therefore, an additional 6 weeks of paid parental leave represents substitute teacher expenses of between \$3,750 to \$11,700 per teacher using parental leave. However, actual expenses will depend on the difference between the current number of weeks a teacher is on leave compared to the 12 weeks of leave provided by the bill. Therefore, the total impact of this bill on state school districts will vary depending on the number of teachers that use additional parental leave, the substitute teacher rate in the district, and any additional leave payout that is required to teachers or other school district employees due to the changes.

This fiscal impact statement has been updated to include responses from the state's school districts.

Explanation of Fiscal Impact

Updated for Additional Agency Response on April 16, 2025
Amended by House Ways and Means on April 9, 2025
State Expenditure
This bill expands paid parental leave for eligible state employees from 6 weeks to 12 weeks for the birth of a child and from 2 weeks to 4 weeks for a co-parent after the birth of a child or for fostering a child from state custody under §8-11-150 or for the adoption of a child under §8-11-155. An employee's paid parental leave is based on an employee's average workday. The bill specifies that any state employee who occupies a position eligible to earn annual leave, including those employed by a four-year or postgraduate state institution of higher learning or state technical college, is eligible for paid parental leave. Currently, eligible employee is defined as an employee occupying any percentage of a full-time equivalent position. This bill also increases the paid leave for the adoption of a child from 6 weeks to 12 weeks for the primary caregiver and from 2 weeks to 4 weeks for a parent who is not the primary caregiver pursuant to §8-11-155. An employer may require an employee to use paid parental leave before using annual leave if the employee's leave is taken pursuant to FMLA. This bill takes effect on October 1, 2025.

DSHR reports that 958 state employees utilized paid parental leave in 2024 for the birth or placement of a child. State agencies expend appropriated funds for employee salaries when an employee is at work or on paid leave. Under the bill's revised definition, newly eligible employees would not be required to use accrued sick and annual leave or unpaid leave available under FMLA and instead would use paid parental leave for qualifying events. This change would allow those employees to retain an additional 6 or 2 weeks of accrued leave they may have otherwise used. Agencies and institutions may face additional personnel needs associated with managing the workload of employees taking paid parental leave under the new definition. As such, agencies and institutions may experience an increase in expenditures if it is necessary to hire temporary employees or offer current employees a temporary salary increase to manage the workload resulting from newly eligible employees using paid parental leave under the bill.

When an employee separates from state employment, they forfeit accrued sick leave but are paid up to 45 days of unused annual leave. Newly eligible employees would be able to retain annual leave that may have otherwise been used. As such, agencies may experience an increase in expenses resulting from leave payouts to employees accruing additional leave if an employee separates from covered employment. DSHR reports that in FY 2023-24, of the 958 employees who used paid parental leave, 112 separated from employment immediately thereafter, 94 of which were owed annual leave payout in the total amount of $139,457. Of the 94 employees, 2 had accrued the maximum annual leave carryforward amount of 45 days.

The total impact of this bill will vary depending on the number of newly eligible employees that use parental leave, the ability for the agency or institution to manage the workload while employees are using parental leave, and any additional leave payout that is required due to the changes. As this will vary widely by agency and institution, the impact of this bill is undetermined.

This bill is not expected to have an expenditure impact on DSHR to implement the changes, as the management of the revised definition of eligible state employee is expected to take place under normal agency operations.

State Revenue
N/A

Local Expenditure
This bill expands paid parental leave for eligible state employees from 6 weeks to 12 weeks for the birth of a child and from 2 weeks to 4 weeks for a co-parent after the birth of a child or for fostering a child from state custody under §8-11-150. Under §8-11-151 and §8-11-156, this extension of parental leave would also apply to school district employees.

In order to ascertain the local school district impact, SCDE surveyed the school districts and provided 32 responses from school districts in Aiken, Anderson, Beaufort, Berkeley, Charleston, Chester, Chesterfield, Clarendon, Fairfield, Florence, Greenville, Greenwood, Hampton, Lancaster, Lexington, Newberry, Oconee, Pickens, Richland, Spartanburg, Union, and York Counties, as well as responses from the Governor's School for Science and Mathematics, the Governor's School for Arts and Humanities, and the Charter Institute at Erskine. These responses indicated a wide range of costs and assumptions.

The increase in cost to districts would be the difference between the current number of weeks employees take for parental leave compared to any increase in the number of weeks employees take for parental leave under this bill. Local school district budgets already include the cost of an employee's salary for the year so the primary cost would be for a substitute teacher while a teacher is on leave. Most responding school districts estimated the total impact related to the added cost of substitute teachers as well as the salary and fringe expenses for teachers using the additional paid parental leave, both based on a maximum of 6 additional weeks of leave, which would overstate the impact as a teacher's salary and fringe is accounted for within the current budget and some teachers are already taking up to 12 weeks of leave. These responses varied widely, partially by size of district and partially by assumed costs and weeks and ranged from approximately $22,000 to a potential high of $1,500,000.

Under the existing paid parental leave policy and FMLA, employees are allowed up to 12 weeks of leave per year for qualifying events, 6 or 2 of which are paid under the current parental leave policy depending on the qualified event, and teachers may use accrued leave if available for the remaining weeks. When an employee takes leave for a qualifying event, the school district is required to hire a substitute in the case of a teacher. For teachers who would have taken fewer than the total 12 weeks available, such as 6 or 8, and subsequently take the full 12 weeks of paid parental leave provided by the bill, there would be added costs related to substitute teachers. Substitute teacher rates vary by district and level of teaching certification and range from approximately $125 to $390 per day. Therefore, an additional 6 weeks of paid parental leave represents substitute teacher expenses of between $3,750 to $11,700 per teacher using parental leave. However, actual expenses will depend on the difference between the current number of weeks a teacher is on leave compared to the 12 weeks of leave provided by the bill. Additionally, some districts would have an impact for payout of accrued leave due to the employee using less accrued leave under the bill, but not all districts pay out unused leave.

In summary, the total impact of this bill on school districts will vary widely depending on the number of teachers that use the additional paid parental leave, the substitute teacher rate in the district, and any additional leave payout that is required to teachers or other school district employees due to the changes.

This fiscal impact statement has been updated to include responses from the state's school districts.

Local Revenue
N/A

Frank A. Rainwater, Executive Director