Regulatory Analysis

Notice of Intended Action to be published: subrule 63.3(4) and rule 11—63.21(8A,70A)
"State Employee Paid Leave"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 8A.104(5) and 8A.413
State or federal law(s) implemented by the rulemaking: 2025 Iowa Acts, House File 889

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

December 16, 2025 11 a.m.	A Level, Room 7 Hoover State Office Building Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Department of Administrative Services no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Tami Wiencek
Hoover State Office Building, Third Floor
1305 East Walnut Street
Des Moines, Iowa 50319
Email: tami.wiencek@iowa.gov

Purpose and Summary

The intended purpose of this proposed rulemaking is to provide administrative guidance for two areas of paid leave that are now law pursuant to 2025 Iowa Acts, House File 889. Certain State employees in their first four years of employment who do not use sick leave during a full month of employment can now choose to convert that month's sick leave for one-half day of additional vacation time. In addition, 2025 Iowa Acts, House File 889, provides that a State employee parent who gives birth or adopts a child is entitled to four weeks of paid leave. A State employee parent who does not give birth is entitled to one week of paid leave.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

The State of Iowa will bear the cost of the types of paid leave described in this rulemaking. Those costs are indeterminable but are believed to be insignificant.

- **Classes of persons that will benefit from the proposed rulemaking:**

Many employees of the State of Iowa, though undetermined in number, will benefit from this proposed rulemaking. The State Board of Regents is excluded from the sick leave conversion portion of 2025 Iowa Acts, House File 889.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

The costs for both the sick leave conversion and the paid parental leave portion of 2025 Iowa Acts, House File 889, are indeterminable because it is not known how many employees will participate in the leave opportunities. While the Department does not anticipate a fiscal impact, costs would be funded through existing agency budgets.

- **Qualitative description of impact:**

2025 Iowa Acts, House File 889, section 1, is intended to provide the option for new hires to accrue an additional one-half day of vacation per month in exchange for one and one-half days of sick leave. This is intended to assist in recruitment and retention of experienced hires into State employment in a fiscally neutral manner since an employee would be required to exchange and therefore forego approximately 12 hours of sick leave in a month to receive an additional 4 hours of vacation.

2025 Iowa Acts, House File 889, section 2, is intended to support families employed by the State to encourage appropriate time off to care for newborn or newly adopted children. This supports the Governor's goals of promoting healthy families and communities by supporting employees who are growing their families in the first key months of child development and bonding.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Costs to agencies are indeterminable because it cannot be estimated how many employees will take advantage of these leave opportunities. Concerning sick leave conversion, for those who choose to participate, the State would see a significant decrease in the sick leave bank liability and a corresponding 33 percent increase to vacation leave liability. As such, employees participating in this program would likely see a decrease in value of their available leave balance of approximately 66 percent.

Concerning paid parental leave, the Department estimates the value of the leave in Year 1 to be $1.032 million for State employees, excluding the Department of Transportation, the Board of Regents, the State Fair Authority, and Community-Based Corrections. This is calculated from birth rates from 2019 Centers for Disease Control data. The Department does not anticipate a fiscal impact for the parental leave opportunity. Costs, if any, would be funded by existing agency operating budgets.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Both sections of 2025 Iowa Acts, House File 889, are intended to assist with recruitment and retention of State employees. This is based upon feedback to the Department from State agencies. According to the Gallup Poll, a conservative estimate of the cost to replace an employee ranges from 50 percent to 200 percent of the employee's annual salary. In 2023, 3,527 employees separated from the State voluntarily or involuntarily.

The Department estimates the annual salary of those separated employees at approximately $60,000 per year. Using the Gallup Poll estimates, this equates to turnover costs to the State between $105.8 million and $423.2 million in 2023.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

As stated, the Department does not anticipate a fiscal impact.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

Not applicable. The rules are a result of feedback from agencies regarding recruitment and retention of new hires. The rules are intended to be fiscally neutral.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The proposed rules are not anticipated to carry a significant cost to State government, while also providing leave opportunities to enhance recruitment and retention efforts.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Not applicable.

Text of Proposed Rulemaking

ITEM 1. Amend subrule 63.3(4) as follows:

63.3(4) There is no limit on the accumulation of sick leave. An employee in the first four years of employment who has accrued at least 80 hours of sick leave may elect to accrue additional vacation in lieu of the normal sick leave accrual. A conversion shall not be made if the accrued sick leave is less than 80 hours in the pay period in which the conversion would be made. After the fourth year of employment, an employee who has accrued at least 240 hours of sick leave may elect to accrue additional vacation in lieu of the normal sick leave accrual. ~~An employee who has made an election to convert sick leave to vacation will be credited with four hours of vacation for each full month when sick leave is not used during that month.~~ A conversion shall not be made if the accrued sick leave is less than 240 hours in the pay period in which the conversion would be made. An employee who has made an election to convert sick leave to vacation will be credited with four hours of vacation for each full month when sick leave is not used during that month. The conversion of sick leave shall be prorated for employees who are normally scheduled to work less than full-time (40 hours per week). An employee's maximum vacation accrual may be increased under this subrule up to 96 hours.

ITEM 2. Adopt the following **new** rule 11—63.21(8A,70A):

11—63.21(8A,70A) Paid parental leave. Employees entitled to leave under the federal Family and Medical Leave Act of 1993 shall be provided paid parental leave pursuant to Iowa Code section 70A.24 as enacted by 2025 Iowa Acts, House File 889.