Multiple Agency Fiscal Note Summary

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	**Title:** Family leave insurance

Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Office of Attorney General	0	223,058	0	447,148	0	447,148
Office of Administrative Hearings	0	363,833	0	970,220	0	970,220
Department of Labor and Industries	0	74,017,500	0	73,740,000	0	73,740,000
Total $	0	74,604,391	0	75,157,368	0	75,157,368

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
Local Gov. Total						

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.9	0	223,058	1.8	0	447,148	1.8	0	447,148
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	2.7	0	363,833	7.2	0	970,220	7.2	0	970,220
Department of Personnel	Fiscal note not available								
Department of Labor and Industries	27.8	0	35,755,413	38.0	0	73,064,280	38.0	0	73,064,280
Department of Social and Health Services	Fiscal note not available								
University of Washington	Fiscal note not available								
Washington State University	Fiscal note not available								
Eastern Washington University	Fiscal note not available								
Central Washington University	Fiscal note not available								
The Evergreen State College	Fiscal note not available								
Western Washington University	Fiscal note not available								
Employment Security Department	Fiscal note not available								
Community and Technical College System	Fiscal note not available								
Total	31.4	$0	$36,342,304	47.0	$0	$74,481,648	47.0	$0	$74,481,648

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 11957

Local Gov. Courts *									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

Prepared by: Deborah Feinstein, OFM	**Phone:** 360-902-0614	**Date Published:** Preliminary 4/ 2/2005

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 11957

Individual State Agency Fiscal Note

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	Title: Family leave insurance	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
Fund					
Total $					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/01/2005
Agency Preparation:	Dan Mason	Phone: 360-902-9090	Date: 04/01/2005
Agency Approval:	Dan Mason	Phone: 360-902-9090	Date: 04/01/2005
OFM Review:	Deborah Feinstein	Phone: 360-902-0614	Date: 04/01/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

5069 E 2S SB 5069-S2.E AMH CL REIN 157 creates the family leave insurance account. Earnings from investments will be credited to the general fund.

Earnings from investments:
The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average balances, and hence differing earnings.

There will be an impact to the earnings; however, the actual earnings will be determined more by the impact to the average daily balance than the amount of increases or decreases in receipts, disbursements, and transfers. Currently, estimated earnings are indeterminable. Without projected monthly estimates of receipts, disbursements, and transfers, OST is unable to estimate the changes to the average balance of the account and the impact to earnings.

Based on the March 2005 Revenue Forecast, the net rate for estimating earnings for FY 05 is 2.19%, FY 06 is 3.04%, and FY 07 is 3.30%. Approximately $21,900 in FY 05, $30,400 in FY 06, and $33,000 in FY 07 in net earnings and $5,000 in OST management fees would be gained or lost annually for every $1 million increase or decrease in average daily balance.

Debt Limit:
There may be an impact on the Debt Service Limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, General State Revenues.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

5069 E 2S SB 5069-S2.E AMH CL REIN 157 creates the family leave insurance account. Earnings from investments will be credited to the general fund.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	Title: Family leave insurance	Agency: 100-Office of Attorney General

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Legal Services Revolving Account-State 405-1	45,291	177,767	223,058	447,148	447,148
Total $	45,291	177,767	223,058	447,148	447,148

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.3	1.5	0.9	1.8	1.8
Fund					
Legal Services Revolving Account-State 405-1	45,291	177,767	223,058	447,148	447,148
Total $	45,291	177,767	223,058	447,148	447,148

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/01/2005
Agency Preparation:	Linda Moran	Phone: 360 753-2619	Date: 04/01/2005
Agency Approval:	John Fricke	Phone: 360 753-2516	Date: 04/01/2005
OFM Review:	Robin Campbell	Phone: 360-902-0575	Date: 04/01/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This version of the bill changes the number of hours an employee must work to qualify for benefits, which means more employees may qualify for benefits. It is likely this will modestly increase the number of appeals for which the AGO will provide legal assistance. The Department of Labor and Industries estimates that the changes in this version of the bill will increase the number of appeals each year by approximately 16 above the level of approximately 100 in the previous version of the bill. The AGO will accommodate this small change in the number of appeals within the same level of resources identified for the previous version of the bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Legal services billings through the revolving fund to the client agency--the Department of Labor and Industries.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The AGO anticipates that .3 attorney FTE will be needed for advice and legal questions related to this new law on an ongoing basis. The number of appeals for this version of the bill is estimated at approximately 115 cases per year. To handle this volume of litigation would require approximately 1.0 attorney FTEs based on approximately 100 cases per attorney FTE. Litigation support will require .5 paralegal FTE. Office furniture will be required for one new staff.

Legal advice will begin to be provided in FY 2006, and legal representation related to appeals will begin October 1, 2006, which is nine months in FY 2007 and twelve months in all fiscal years thereafter.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.3	1.5	0.9	1.8	1.8
A-Salaries & Wages	21.960	97,555	119,515	232,908	232,908
B-Employee Benefits	4.831	21,462	26,293	51,240	51,240
C-Personal Serv Contr					
E-Goods and Services	10.000	50,000	60,000	140,000	140,000
G-Travel	1.000	5,000	6,000	14,000	14,000
J-Capital Outlays	7.500	3,750	11,250	9,000	9,000
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services					
P-Debt Service					
S-Interagency Reimburesement					
T-Intra-Agency Reimbursement					
Total:	$45,291	$177,767	$223,058	$447,148	$447,148

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Attorney	73,200	0.3	1.1	0.7	1.3	1.3
Paralegal	42,588		0.4	0.2	0.5	0.5
Total FTE's		0.3	1.5	0.9	1.8	1.8

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	Title: Family leave insurance	Agency: 105-Office of Financial Management

Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/01/2005
Agency Preparation:	Deborah Feinstein	Phone: 360-902-0614	Date: 04/01/2005
Agency Approval:	Peter Antolin	Phone: 360-902-0551	Date: 04/01/2005
OFM Review:	Robin Campbell	Phone: 360-902-0575	Date: 04/01/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill creates a family medical leave insurance program administered by the Department of Labor and Industries.

State agencies, in their capacity as employers, will be assessed a premium of two cents per hour worked per employee beginning January 1, 2006. This premium is subject to change as determined by the Department of Labor and Industries. Employers may withhold the full amount of the premium from their employees.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This fiscal note reflects the premium expenditure made by state agencies in their capacity as employers. Our assumption is that state agencies will withhold the full amount of the premium from their employees. Consequently, the premium dollars alone will have no fiscal impact on state agencies. Other costs associated with administering the program, revising the payroll system, etc. are detailed in other agency fiscal notes.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	**Title:** Family leave insurance	**Agency:** 110-Office of Administrative Hearings

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Administrative Hearings Revolving Account-State 484-1		363,833	363,833	970,220	970,220
Total $		363,833	363,833	970,220	970,220

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.0	5.4	2.7	7.2	7.2
Fund					
Administrative Hearings Revolving Account-State 484-1	0	363,833	363,833	970,220	970,220
Total $	0	363,833	363,833	970,220	970,220

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/01/2005
Agency Preparation:	Art Wang	Phone: 360-664-2031	Date: 04/01/2005
Agency Approval:	Art Wang	Phone: 360-664-2031	Date: 04/01/2005
OFM Review:	Deborah Feinstein	Phone: 360-902-0614	Date: 04/02/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

[Major changes in House C&L committee amendment from E2SSB 5069: Decrease in number of hours required for workers to qualify for benefits to 680 hours (sec. 4(2)), additional requirement of six weeks with employer (sec. 4(3)), and modification on limitation to employers of 50 or more (sec. 2(6)) increase the projected number of appeals from 1,299 per year to 1,390.]

E2SSB 5069 (as amended by House C&L) generally provides for a state-administered program of family leave insurance, somewhat analogous to a combination of unemployment insurance under the Employment Security Dept. and worker's compensation under the Dept. of Labor & Industries (L&I).

Sec. 14 provides that the director of L&I shall request assignment of an Administrative Law Judge (ALJ) under the Administrative Procedures Act (Ch. 34.05 RCW) to conduct administrative hearings on any appeals of L&I decisions. This process is similar to how the Office of Administrative Hearings (OAH) conducts administrative hearings for appeals of Employment Security decisions on unemployment insurance. The appeal right applies to "a person aggrieved by a decision of the department under this chapter." Sec. 14(1). For purposes of this fiscal note, we assume that both affected individuals and employers could appeal, but that relatively few employers will do so.

Sec. 14(2) also provides for an appeal (petition for review) of the ALJ's decision. The director may order the ALJ to take additional evidence, but we assume that this would be rare.

Sec. 14(3) provides that ALJs may award attorneys' fees when L&I's final decision is reversed or modified. This is a change from last year's HB 2399, which applied to all L&I determinations. Assuming that "final decision" refers to final decisions under sec. 14(2) and not to decisions under sec. 14(1), it is not clear how this issue would come before an ALJ, since the appeal process for final decisions is through a petition for judicial review. It is also unclear whether the award of attorneys' fees would be limited to the judicial review process or would also apply to the administrative hearing process.

In addition to the provisions for administrative hearings, E2SSB 5069 (as amended by House C&L) would affect OAH in the same manner it would affect all employers by requiring payment of premiums under sec. 19(1)(a). Because this would be no different than for any other employer, we have disregarded these fiscal impacts and assume that they will be analyzed separately for all state agencies.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Sec. 14 provides for ALJs to conduct hearings on appeals of L&I decisions. OAH assumes that we will bill L&I on an hourly basis for hearings conducted, as we do now for other L&I programs. Billing rates for 05-07 are expected to be $85 per hour for ALJ time and $47 per hour for support staff time. Family leave insurance benefits are only payable after Sept. 3, 2006 (sec. 4), so we assume no fiscal impact until FY 07.

L&I assumes that it will deny benefits in 6,950 claims annually. Neither unemployment insurance at Employment Security nor worker's compensation at L&I provides a good model for forecasting the percentage of claim denials which would be appealed, both because the employer has little incentive to appeal and because the potential benefits under this bill are relatively modest. Therefore, in the absence of experience or adequate models, we have agreed with L&I to assume that 20% of denials would be appealed, or 1,390 appeals per year.

There is enormous variation in the amount of time required for different types of administrative hearings. While many of the issues involved in a family leave claim are likely to be relatively straightforward, e.g., hours of qualifying employment in sec. 4(2), there may be significant disputes over other issues, e.g., "continuing treatment by a health care provider" for a family member's serious health condition, sec. 2(8)(b) and (16). Sec. 14(3), which provides for attorneys' fees, may affect the number of parties represented by counsel, which in turn will increase the time required to schedule and to conduct hearings. However, for purposes of this fiscal note, we assume that most parties will not be represented by attorneys. We also assume that 80% of cases can simply be set for one-hour telephone hearings, but that some of the other cases will require longer in-person hearings.

In contrast to SB 5069, E2SSB 5069 eliminates benefits based on a claimant's own serious health condition, as opposed to that of a family member. We anticipate that this change will increase the percentage of simpler telephone hearings, reduce the extent of conflict in appeals, and lessen the average hours of ALJ time and support staff time required for hearings.

Based upon these considerations, we estimate that the average appeal will require three hours of ALJ time and two hours of support staff time to set up the case, schedule the hearing, conduct any prehearing conferences, conduct the actual hearing, and to write and issue the decision, as well as to gather any additional post-hearing evidence under sec. 14(2). This is one hour less for ALJ time and one hour less for support staff time than we estimated for the original SB 5069, primarily based on the elimination of benefits based on a claimant's own health condition. However, this estimate of time required is subject to change once we have actual experience with the caseload.

Based on these considerations, we estimate 1,390 appeals per year at $255 (3 hours @ $85) for ALJ time and $94 (2 hours @ $47) for support staff time. This totals $485,110 per year. Because we assume that appeals will only begin as of Oct. 1, 2006, one month after benefits begin in sec. 4, the total for the first year is 9/12 of this amount, or $363,833.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Expenditures are calculated to match estimates of revenue in the Administrative Hearings Revolving Fund as discussed in Part II.B. FTEs are based on 3 hours of ALJ time and 2 hours of support staff time (one-third for Scheduler and two-thirds for other clerical) per appeal and are then multiplied by anticipated number of appeals.

Because appeals are likely to lag denials of benefits by one month and not begin until October 2006, we have reduced FTEs and expenditures in the first year by 3/12.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years		5.4	2.7	7.2	7.2
A-Salaries and Wages		213,779	213,779	570,076	570,076
B-Employee Benefits		51,308	51,308	136,820	136,820
C-Personal Service Contracts					
E-Goods and Services		95,966	95,966	255,912	255,912
G-Travel		2,780	2,780	7,412	7,412
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$363,833	$363,833	$970,220	$970,220

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Administrative Law Judge 3	66,372		3.3	1.7	4.4	4.4
Legal Secretary 1/Hearings	32,544		0.7	0.4	0.9	0.9
Scheduler Office Assistant Senior	29,616		1.4	0.7	1.9	1.9
Total FTE's			5.4	2.7	7.2	7.2

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5069 E 2S SB _5069-S2.E AMH CL REIN 157	Title: Family leave insurance	Agency: 235-Department of Labor and Industries

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Supplemental Pension Account-Non-Appropriated 881-6	(3,559,650)	3,680,700	121,050		
Family Leave-Non-Appropriated NEW-6	19,759,650	54,136,800	73,896,450	73,740,000	73,740,000
Total $	16,200,000	57,817,500	74,017,500	73,740,000	73,740,000

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	18.1	37.5	27.8	38.0	38.0
Fund					
Family Leave-State NEW-1	6,572,722	7,316,024	13,888,746	7,464,280	7,464,280
Family Leave-Non-Appropriated NEW-6	0	21,866,667	21,866,667	65,600,000	65,600,000
Total $	6,572,722	29,182,691	35,755,413	73,064,280	73,064,280

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

X If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

X Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/01/2005
Agency Preparation: Victoria Kennedy	Phone: 360-902-4997	Date: 04/01/2005
Agency Approval: Chris P Freed	Phone: 360-902-6698	Date: 04/01/2005
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 04/02/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached REVISION of 03/25/05.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

see attached

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	18.1	37.5	27.8	38.0	38.0
A-Salaries and Wages	821.032	1,429,795	2,250,827	2,572,376	2,572,376
B-Employee Benefits	208.459	363,025	571,484	653,126	653,126
C-Personal Service Contracts		18,750	18,750	50,000	50,000
E-Goods and Services	3.989.805	4,875,055	8,864,860	3,368,844	3,368,844
G-Travel	9.451	19,623	29,074	39,902	39,902
J-Capital Outlays	1.543.975	609,776	2,153,751	780,032	780,032
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		21,866,667	21,866,667	65,600,000	65,600,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$6,572,722	$29,182,691	$35,755,413	$73,064,280	$73,064,280

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Actuarial Analyst	37,608		0.8	0.4	1.0	1.0
Admin Reg Analyst 1	40,512	1.0	1.0	1.0	1.0	1.0
Family Leave Program Mgr	61,000	1.0	1.0	1.0	1.0	1.0
Financial Analyst 2	36,708		1.0	0.5	1.0	1.0
Graphic Designer	37,608	1.0	1.0	1.0	0.5	0.5
Human Resource Consultant 2	40,512	1.0	1.0	1.0	1.0	1.0
Ind Relations Agent	57,252	0.5	1.0	0.8	1.0	1.0
Industrial Ins Underwriter 4	40,512	0.8	1.0	0.9	1.0	1.0
Industrial Ins Underwriter Asst	29,616	3.3	5.0	4.2	5.0	5.0
Info Tech Appl Spec 4	46,992		0.5	0.3	2.0	2.0
Info Tech Appl Spec 4 (Project)	61,000	2.0	2.0	2.0		
Info Tech Appl Spec 5 (Project)	49,000	1.0	1.0	1.0		
Info Tech Appl Spec 3	32,544		1.1	0.6	3.5	3.5
Info Tech Ssystems Spec 4 (Project)	51,864	1.0	1.0	1.0		
Management Analyst 1	42,588	1.0	1.0	1.0	1.0	1.0
Office Assistant	25,200		6.3	3.1	9.0	9.0
Office Support Sup	33,300		0.3	0.2	1.0	1.0
Project Lead (Project)	49,000	3.0	3.0	3.0		
Project Manager (Project)	51,864	1.0	1.0	1.0		
Unemployment Ins Specialist 1	30,312		4.5	2.3	6.0	6.0
Unemployment Ins Specialist 2	33,300		1.0	0.5	1.0	1.0
Unemployment Ins Specialist 3	35,808		1.0	0.5	1.0	1.0
Unemployment Ins Specialist 6	43,644	0.5	1.0	0.8	1.0	1.0
Total FTE's		18.1	37.5	27.8	38.0	38.0

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached.

Part II: Explanation

The bill's purpose is to provide additional income assistance to individuals needing support due to family medical issues. The bill also allows them to maintain their employment relationship. The bill establishes family medical leave insurance benefits administered by the Department of Labor and Industries (L&I).

Starting January 1, 2006 the employer shall pay to L&I a premium of two cents per hour worked. The employer has the option to collect the entire premium from their employees. L&I is authorized to reduce the premium as needed to pay for the family leave benefits and the agency's administrative costs to carry out the program.

Beginning September 3, 2006 benefits will be no more than $250 per week for a maximum of five weeks.

The bill requires the creation of an entirely new program within the Insurance Services Division of the Department of Labor and Industries. The new program would be responsible for collecting the premiums from employers, processing applications, verifying that applicants qualify for benefits, and paying family leave benefits.

This fiscal note differs from E2SSB 5069 in that Section 4 now provides that a worker must have been employed at least 680 hours and for at least six months during the qualifying year. In addition, the individual must have been employed by the employer from whom family leave is to be taken for six calendar workweeks. The actuarial assumptions concerning the number of workers eligible was increased for the changes in section 4 and to take into account 2004 data now available from the Employment Security Department. As a result of these changes the number of FTEs needed is increased.

Section 4 clarifies the individual eligibility for family leave insurance is based on whether their employer is subject to the act or elects coverage under the act.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 2 provides for definitions including new clarification of the definition of employer as excluding those who employ fewer than 50 employees.

Section 3 provides that the department will establish and administer a family leave insurance program. It also indicates the records are confidential, except to public employees in the performance of their duties; the claimant or a representative; and the employer or the employer's representative. The department is required to provide notice to an employer within five business days of a claim being filed. The Employment Security Department (ESD) is required to disclose information to L&I as long as the individual consents to the disclosure. L&I will use information sharing and technology to facilitate the disclosure. The requirement for an outreach program is included.

Section 4 provides that a person qualifies for family leave benefits, beginning September 3, 2006, if the person:

- Files a claim under rules established by the department each week the individual is on family leave.
- Has been employed at least 680 hours and in at least six months during the individuals' qualifying year. In addition, the individual must have been employed by the employer from whom family leave is to be taken for six calendar workweeks.
- Consents to disclosure of confidential information from ESD.
- Discloses whether he or she owes child support.
- Documents that the various notice requirements to the employer were met and that the person made reasonable efforts to schedule treatment so as not to disrupt the employer's operations.
- Is not receiving unemployment compensation or crime victims' compensation from any state or federal program.

Section 5 provides the basis for disqualifying individuals from family leave. A person can be disqualified for a period of 52 weeks when the individual makes a willful false statement or misrepresentation of a material fact in order to receive benefits. (Reference to benefits for a serious medical condition of the individual that resulted from the person committing a gross misdemeanor or felony has been deleted.)

Section 6 provides that:

- The maximum family leave insurance benefits payable in an application year is for five weeks, following a five-day waiting period.
- Benefits must be paid within two weeks after the claim is filed or when the family leave began and that subsequent benefit payments be made semimonthly.
- If an individual dies before receiving benefit payment, the payment is made to the spouse, child or children, or estate.
- Benefits are not payable and a waiting period credit is not earned for any weeks in which the worker received unemployment compensation, workers' compensation, or crime victims' compensation from this state or any other state or federal program.

Section 7 provides the level of benefits payable to be no more than $250 per week for five weeks. It also includes a provision to notify the appropriate child support enforcement agency and that the department will withhold benefits consistent with unemployment compensation recipients. The individual can elect to have the department withhold federal income tax, if the Internal Revenue Service determines that benefits under this program are subject to the federal tax.

Section 8 requires the department to advise an individual filing a claim of federal rules:

- Benefits are subject to federal income tax (if that determination is made by the IRS) and the department will specify the requirements pertaining to estimated tax payments.
- The individual may elect to have federal withholding tax deducted from their benefits. This requires the department to follow IRS procedures.

Section 9 applies the overpayment assessment and willful misrepresentation provisions of the workers' compensation statute (RCW 51.32.240) to family leave benefits and requires the department to seek repayment. Penalties may be assessed in cases of willful misrepresentation. Any penalties are paid into the family leave insurance account.

Section 10 specifies how this benefit applies in conjunction with other programs such as workers' compensation and the federal family and medical leave act. The bill is not intended to limit more generous benefits. It also provides the right of the individual to return to his or her position with the employer without loss of seniority or pension rights accrued before the beginning of the family leave, provided the individual is entitled to reinstatement under the federal family leave act of 1993 or other applicable federal, state, or local law. If the individual is not entitled to restatement under federal, state, or local law, then they are entitled to return to the same position held when leave commenced, or in a position with equivalent benefits and pay at a workplace within 20 miles of the previous workplace, or any other vacant position for which the individual is qualified.

Section 12 Employers not covered, including self-employed persons, may elect family leave coverage. They must join for an initial period of three years and can renew annually afterwards.

Section 13

- Requires employers to remit premiums and make reports on forms at times and in a manner specified by the director.
- Provides that a temporary help company is liable for the required premiums but, if the temporary help company fails to remit the premiums, the customer to whom the employees were provided is liable.
- All records necessary for this chapter must be kept at the employer's place of business and are open to inspection by the department.
- The industrial insurance premium assessment and collection requirements in current law are applied to this program. These included the ability to assess penalties, interest, collections, and liens when an employer fails to provide the required report or full amount of premiums or willfully makes a false statement or misrepresentation to avoid the required reports or premiums.
- The premium and collection requirements also apply to any public or private entity that gets a contract for work.

Section 14 provides an appeal process and timeframes for an individual aggrieved by a decision of the department. Appeals go first to an administrative law judge, then to the director, with further appeal to Superior Court. This section also allows an administrative law judge or court to award reasonable attorneys fees and costs to the prevailing party when a decision of the department is reversed.

Section 18 allows the adoption of rules necessary to implement the chapter, consistent with the rules under the Federal Family and Medical Leave Act of 1993 to the extent the federal rules are not in conflict with the provisions of this bill.

Section 19 requires each employer to submit two cents per hour worked up to a maximum of 40 hours per week, for each employee, beginning January 1, 2006. It allows the director to reduce the premium rates to ensure the amount collected is the lowest rate necessary to pay the family leave insurance benefits, administrative costs, any loans due the Supplemental Pension Reserve Fund (SPRF), and to maintain the actuarial solvency of the fund. Employers may retain the entire assessed amount from their employee earnings (except for licensed horse racing employments (RCW 51.16.210)). Full payment of the premium is required from employers. (The exception for horse racing employment requires employers to pay the full premium due, with no option to retain moneys from workers.)

Section 20 establishes the Family Leave Insurance Account and allows expenditures from the account only for the purpose of the Family Leave Insurance program.

Section 21 allows the director to lend funds, if necessary, from the supplemental pension fund to the family leave insurance account for program administration and benefits. Such loans must be repaid, along with the proportionate share of earnings realized in the supplemental pension fund from investments during the loan period, within one year of the initial loan and within three months of any loan thereafter.

Section 22 requires the department to report to the Legislature annually, beginning September 1, 2006, on the projected and actual program participation, premium rates, fund balances, and outreach efforts.

II. B – Cash Receipt Impact

The bill establishes family medical leave insurance for a maximum of five weeks at $250 per week.

To fund the family leave program each employer is required to submit a premium equal to two cents per hour worked up to a maximum of 40 hours per week, for each employee, for the quarter beginning January 1, 2006. It allows the Director to reduce the premium rates each year to pay the family leave insurance benefits and administrative costs.

Employers may deduct the entire assessed amount from employee earnings (except for licensed horse racing employments (RCW 51.16.210)). The full submission of the premium is required from employers.

The Family Leave Insurance Account is established. All premiums and penalties collected are to be deposited into the new account.

The following assumptions are used to calculate the premium collected:

- The department will begin premium assessment and collection before benefits are available to workers.

- The proposed hourly premium rate for Calendar Year 2006 is set at two cents as required by the bill. However we anticipate this rate to be lower in the following years which still allows the fund to remain solvent. The anticipated annual rates are reflected below. Please refer to Attachment 3

Based on a wording change made in E2SSB 5069, the department will only be allowed to reduce rates below two cents per hour. If, in future years, premium rates above two cents are indicated, the department will only be allowed to borrow from the Supplemental Pension Reserve Fund in order to continue payments. Such loans must be repaid within three months, based on the wording in Section 21.

Proposed Premium Rate Adjustments by Calendar Year

Calendar Year	Hourly Premium Rates
2006	$0.0200
2007	0.0114
2008	0. 0114
2009	0..0114
2010	0. 0114
2011	0. 0114

- Receipt of premiums due in the quarter ending March 31, 2006 would occur during the quarter ending June 30, 2006 and is estimated at approximately $16.2 million quarterly.
- It is estimated that loans totaling $5.40 million from Supplemental Pension Reserve Fund (SPRF) will be necessary for initial start-up costs ($1,800 million each for the quarters ending September 30, 2005, December 31, 2005, and March 31, 2006). There will be no funds from premium collection available until at least April, 2006. Therefore, loan payments will begin within the fourth quarter of Fiscal Year 2006. Quarterly loan repayments will be $1,840,350 for three quarters.
- The loan repayment includes interest at an estimated rate of three percent.
- Please refer to Attachment 3 for details by quarter.

Summary of Premium Received and Loan From Supplemental Pension Reserve Account

Revenue	FY06	FY07	05-07	07-09	09-11
Supplemental Pension Reserve Account					
Loaned out	($5,400,000)		($5,400,000)		
Payback Received	1,840,350	$3,680,700	5,521,050		
Total SPRA	**(3,559,650)**	**3,680,700**	**121,050**		
New Family Leave Account					
Borrowed from SPRA	5,400,000		5,400,000		
Payback To SPRA	(1,840,350)	(3,680,700)	(5,521,050)		
Premiums Collected	16,200,000	57,817,500	74,017,500	$73,740,000	$73,740,000
Total New Family Leave Acct	**$19,759,650**	**$54,136,800**	**$73,896,450**	**$73,740,000**	**$73,740,000**

II. C – Expenditures

Family Leave Benefits Paid (Non Appropriated Expenditures)

The following assumptions were used to calculate the estimate of the family leave benefits paid.

Benefit payments will begin September 3, 2006. All benefits paid out are expenditures from the non-appropriated Family Leave Insurance Account.

Based on 2004 data provided by the Employment Security Department, there are an estimated 3.23 million employed workers in Washington State (this number has increased from the 2002 data used in prior analysis of the bill as provided by ESD). For purposes of family medical leave insurance, this number can be reduced by approximately 50 percent for workers who:

- are employed by employers with fewer than 50 employees
- worked fewer than 680 hours a year
- were not employed by the employer from whom family leave is to be taken for six calendar workweeks work for employers who do not elect coverage
- are self-employed and do not elect coverage.

This reduces the number to approximately 1.60 million. Please refer to Attachment 1.

Based on statistical data from the Economic Opportunity Institute, and Washington State birth rate data, it is projected that approximately 6.55 percent of these workers will take qualifying family leave. Of these workers, 68.8 percent will be on family leave in excess of one week. In approximately 80 percent of these cases, the leave will not be fully employer paid and 71 percent of this number will be allowed under the family leave insurance program. This will result in an estimated 40,967 family leave claims allowed for benefits.

The above calculation only reflects the estimated number of claims paid. L&I staff will also have to process claims that ultimately are denied benefits. For this fiscal analysis, the number of claims denied is assumed to be 14.5 percent. This rate of denial is similar to what has been observed in processing workers' compensation claims. The result is approximately 47,915 claims received each year (6,948 claims denied plus 40,967 claims paid for total of 47,915 claims processed).

Please refer to Attachment I for the calculation details.

As reflected in Attachment 1 the anticipated 40,967 claims by type of leave are shown in the table below:

Reason for Leave	Number of Claims	Average Length of Leave In Weeks
Maternity	18,956	5
New Child	12,637	4
Family Member	9,374	2

It is further assumed that the benefit payments are expected to average $200 per week (the maximum allowed benefit is $250 per week for up to five weeks).

The total cost for these claims is estimated to be $8,200,000 per quarter starting in Calendar Year 2007. However, the first quarter benefit payments, beginning September 3, 2006, are estimated to be approximately one sixth of that amount ($1,366,667) followed by the second quarter which is estimated to be half of the full amount ($4,100,000). This is due to the startup of this program and the lag in payments from the time of leave. The total premium collected in the first four quarters will be $64,800,000. Please refer to Attachment 3 for the detailed calculations.

Appropriated Expenditures to Implement the Family Leave Program

A loan of $5,400,000 will be needed in the first three quarters of Fiscal Year 2006 from the Supplemental Pension Reserve Fund (SPRF) to cover expenditures at the start of the biennium. This loan amount is based on the following assumptions:

1. Management, supervisors, human resource consultants, industrial relations agents, and some Information Services technology staff would be hired immediately to perform project management; computer programming; rule development and analysis; job class analysis and recruitment; equipment purchasing and facilities management.

2. A total of 106,345 IT system programming hours will be needed to fully create and implement a new Family Leave data base system. This will be accomplished using a combination of L&I staff and contract programmers. It is assumed that L&I staff can complete 24,960 of these hours. The remaining 81,385 hours will be done by contract programmers at the cost of $80 per hour.

   The contract programming cost is estimated at $6,510,800 ($80 * 81,385 hours) and the work will be done on the following systems:

   - 1,200 hours for a federal income tax withholding system.
   - 12,480 hours for the document imaging server deployment.
   - 32,201 hours for a new employer policy management, accounts receivable and collections systems.
   - 36,008 for a claims information management system.
   - 10,800 for an additional rating system.
   - 11,696 for a new integrated document management system.
   - 960 hours to develop the interface with the department's accounts receivable and collections system.
   - 1,000 hours to develop a web-based application to maintain information for employers who are not covered by the bill but who may voluntarily opt into the program.

3. One-time equipment purchases in Fiscal Year 2006 are required for the imaging system's document intake estimated at $1,365,185. This includes five leased servers, disk storage array, high-speed scanner, PC workstations, hardware, software, desktop scanner, external case file media printer, CD-Rom, batch printer, and a Fax board.
4. It is expected that completion of computer programming will require two years and will not be completed before the family leave program must be implemented. It is assumed the claims adjudication and benefit payments will occur using minimal technology and may require manual processes resulting in delayed benefits.
5. Initial costs of rule promulgation, primarily to conduct six public hearings and the printing and dissemination of information to workers and employers is estimated at $69,000. ($60,000 for a one-time printing and mailing of information to all employers and $1,500 for each of six hearings including meeting room rental, court reporter fees, and travel.)
6. A one time cost for printing is included to produce new claim forms and an accompanying brochure estimated at $37,200.
7. Office space in the current L&I building will not accommodate the additional 38 FTEs assumed in this fiscal analysis. Lease costs are included based on a calculation of 38 FTEs requiring a total of 8,550 sq ft (225 square feet per FTE) X $22 per square feet = $188,100 per year. These FTEs and facilities costs do not include the project FTEs needed for computer programming.

Appropriated Ongoing Operating Costs

Ongoing program costs would come from a newly established Family Medical Leave Insurance Account.

Based on L&I's current experience in adjudicating simple workers' compensation claims, the caseload estimate for the family leave insurance program is 500 claims per manager per month. The estimated FTE need for family leave claims initiation is based on the assumption that the 47,915 claims expected will require approximately one-half the data entry time as the agency's current worker's compensation claims.

FTE estimates for industrial insurance underwriting analysts assume caseloads of 10,000 cases received per analyst per year.

Please note that the total staffing estimates below are conservative and do not include impacts to field staff and the Office of Information and Assistance. This staff is responsible for some outreach efforts and it is anticipated they will receive an increased number of phone calls and inquiries about the new program. The workload impact to this staff is difficult to measure because L&I has no history to use as a baseline for the time required. However, it is assumed that the overall informational assistance workload increases can be handled by the current staff, except for the additional FTE and marketing costs related to the bill's requirement that the department perform outreach. These needs are included below.

FTEs

The following FTEs are assumed to implement the new program and for ongoing operating tasks.

Insurance Services Program (Date Hired)

1 Program Manager to oversee the Family Leave program (July 1, 2005)

1 Administrative Regulations Analyst for rule promulgation (July 1, 2005)

1 Management Analyst to assist with form development and other start-up activities (July 1, 2005)

9 Office Assistants for claim initiation (four beginning July 1, 2006 and five beginning January 1, 2007)

1 Office Support Supervisor 2 (April 1, 2006)

5 Industrial Insurance Underwriting Assistants (three to begin October 1, 2005 and two January 1, 2006)

1 Industrial Insurance Underwriter 4 (October 1, 2005)

8 Claim Managers –Job classification comparable to the Unemployment Insurance Specialist series. We would anticipate approximately six at a level comparable to a UI Specialist 1 (three beginning July 1, 2006 and three beginning January 1, 2007), and one comparable to a UI Specialist 2 (beginning July 1, 2006), and one comparable to a UI Specialist 3 beginning July 1, 2006.

1 Supervisor – Comparable to UI Specialist 6 (January 1, 2006)

1 Actuarial Analyst 2 (October 1, 2006)

Administrative Services Program (Date Hired)

1 Human Resources Consultant 2 (July 1, 2005) for personnel services based on the number of additional FTEs hired as a result of this legislation.

1 Financial Analyst 2 (July 1, 2006) in Accounting Services to reconcile the premium revenue collections.

0.5 Information Technology Application Specialist FTE beginning October 1, 2006 to develop and maintain reports on the program and its overall use and performance. This will aid in the department's development of an annual report to the Legislature which is required under the bill.

Legal Services

The number of appeals requiring Attorney General Office (AGO) litigation support for this bill is estimated at approximately 106 cases per year. This represents appeals that proceed to Superior Court after being heard by the Office of Administrative Hearings and the Director. The AGO estimates they will require the assistance of 0.3 Attorney FTE for advice and legal questions related to this new law on an ongoing basis. To handle the anticipated volume of litigation the AGO will require 1 Attorney FTE based on 100 cases per FTE. Litigation support will require 0.5 Paralegal FTE. Office furniture will be required for one new staff.

Legal advice will be needed starting in Fiscal Year 2006 for rule making and program implementation. Legal representation related to appeals will begin October 1, 2006 which is nine months in Fiscal Year 2007 and twelve months in all fiscal years thereafter. This cost is estimated at $45,291 for Fiscal Year 2006, for Fiscal Year 2007 beginning October 1, 2006 it is estimated at $177,767 and will be $223,574 each fiscal year thereafter. L&I will need the dollar appropriation authority only for these expenses. The FTEs will need to be included in the Attorney General's budget. In addition, annual litigation and court costs of $25,000 have been included.

Public Affairs

1 Graphic Designer 2 is required during the first biennium beginning July 1, 2005 for the outreach efforts mandated in the bill. In the following biennia, this need would be reduced to 0.5 FTE. Oversight of the information development and dissemination can be done by existing staff.

Also assumed are costs associated with the public outreach requirement of the bill:

- $60,000 in printing and postage costs for a brochure and invitation notices to training workshops for all employers.
- $85,000 for the printing and mailing of a resource manual for employers.
- $150,000 for radio airtime to reach an estimated 60 percent of the state's population.
- $4,000 in unique computer equipment needs for the graphic designer.

It is anticipated that future mailings to employers would be done in coordination with other mailings concerning workers' compensation premiums.

Information Services Program

FTEs needed from 07/01/2005 through 06/30/2007 for systems programming will include:

1 Project Manager

3 Project Leads

2 Information Technology Application Specialist 4's for integrated document management deployment

1 Information Technology System Specialist 4 for integrated document management deployment

1 Information Technology Application Specialist 5 as an integrated document management system database administrator

Ongoing Information Services staff hired starting 04/01/2007 includes:

2 Information Technology Applications Specialist 3 for claims systems management

1 Information Technology Applications Specialist 4 for employer systems management

1 Information Technology Applications Specialist 3 for employer systems management

1 Information Technology Application Specialist 4 for integrated document management system management

Employment Standards Program

1 Industrial Relations Technical Specialist for policy and rule development and to provide guidance, training, and assist with outreach starting January 1, 2006.

Other Misc. Costs

- Lock-box fees are required at $361,000 annually beginning April 1, 2006. This is contracted services to receive and open premium payments and then transfer the revenue to the agency daily.
- Maintenance costs and software licenses for the imaging equipment (servers, scanners, batch printer, disk storage array, and CD-ROM) estimated at $450,016 annually beginning Fiscal Year 2007.
- Annual expenses for the Office of Administrative Hearings (OAH) are estimated at $363,833 for Fiscal Year 2007 and $485,110 per year thereafter. These costs are based on an assumption that 20 percent of the 6,948 denied cases (or 1,390) will be appealed to OAH. There is no similar program available from which this cost estimate could be derived. While many of the issues involved in a family leave claim are likely to be relatively straightforward (hours of qualifying employment, for example), in some cases, there may be significant disputes over other issues. The total expenses are based on a distribution of simple to complex appeals at an average cost estimated at $349 per case.

L&I Administration and IS Allocation

In addition to the direct costs estimates in this fiscal note, L&I included funding to cover agency wide indirect costs for the Administrative Services and Information Services programs. A rate of 6.7 percent for Insurance Services and 1.9 percent for Specialty Compliance Services in Fiscal Year 2006 and a rate of 7.0 percent for Insurance Services and 1.5 percent for Specialty Compliance Services in Fiscal Year 2007 and beyond is applied only to cost estimates for FTEs and the standard costs associated with the addition of new FTEs hired in the Industrial Insurance and Specialty Compliance programs only. (Indirect costs are not applied to FTEs hired for the Administrative Services and Information Services programs and for the cost of all the new employees' PC and equipment purchases). The indirect rate is not applied to the purchase of hardware, software and software licenses, contract programming, contract services, and ongoing maintenance costs. These indirect rates for the Insurance Services and Specialty Compliance Services programs are based on the cost allocation methodology adopted by L&I in 2003 (with the funding realignment approved in the 2004 Supplemental budget) and the model update completed in July 2004.

Depending on the needs of the agency, activities covered by the indirect funding include the handling and processing of vendor payments and payroll; equipment purchase, delivery, inventory, storage and set-up; technical assistance to employees; desk-top and network support; internal IT systems support; contract administration; legislative services and public affairs; library; public disclosure; personnel and employee services; budget; accounting; facilities management; and other indirect support services functions. The amount included in this fiscal note for indirect is:

Fund Name, Fund #	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Family Leave State - NEW	$31,758	$85,671	$85,671	$85,671	$85,671	$85,671

Please refer to Attachment 2 for a summary of the expenditure estimates by program**.**

Part IV: Capital Budget Impact
None

Part V: New Rule Making Required
The department will be required to develop and adopt new regulations to administer the program. These include but are not limited to rules that address:

- How an individual may file a claim each week while on family leave (Section 3).
- When and what medical certification is required for the benefit application (Section 3).
- Requirements for notice to the employer of intent to take medical leave defining terms such as "as much notice as practicable", "reasonable efforts", and "not to disrupt unduly the operation" of the employer. (Section 4).
- The record keeping requirement requirements of the employer including the information to be reported with the payment of premiums and at what intervals (Section 13).
- Specify which portions of Title 51 RCW are applicable to premium collection, interest and penalties. (Section 13),

Attachment 1

Family Leave Bill

E2SSBa 5069		Statistics from Bob Wagner, E.S.
	3,234,389	2004 Numbers of employees reported to ESD
	1,491,326	2004 Number of employees > 960 hours for Employers w>50 employees
	1,725,310	2004 Number of employees > 680 hours for Employers w>50 employees
	1,465,832	2004 Number of employees >210 hours with last employer > 680 hours for all employers & Last Employers w>50 employees
	1,595,571	average of last two queries

Reason for Family Leave	% of workforce taking Family Leave	Total Annual Family Leaves	*Total leaves longer than 1 week	***Leaves not fully employer paid	% of Leaves using F.L.Insurance	Count of Accepted Claims	Average duration (weeks)	TOTAL COSTS (average of $200 per week)
Maternity**	1.32%	21,062	21,062	21,062	90%	18,956	5	$19,000,000
New Child**	1.32%	21,062	21,062	21,062	60%	12,637	4	$10,100,000
Family member*	3.91%	62,387	29,759	15,623	60%	9,374	2	$3,700,000
TOTAL	**6.55%**	104,511	71,883	57,747		40,967		**$32,800,000**
			68.8%	80.3%		70.9%		

Notes:

*Based on data in U.S. Department of Labor, "Balancing the Needs of Families and Employers," January 2001.
Information from Marilyn Watkins, Economic Opportunity Institute

**Based on birth rate in Washington State:

85,100	Assumed number of 2006 births November 2004 Economic Council forecast
2.631%	% of workforce with births = 80,000/3,234,389
1.32%	Half of births with working mothers
1.32%	New child care with half of the births

***Assumes 66.7% of total number of leaves is not fully employer paid.
All maternity and new child cases are not fully employer paid.

Attachment 2

E2SSBa 5069 Family Leave Insurance

Expenditure Detail by Program

	FY 2006	FY 2007	**2005-07**	FY 2008	FY 2009	**2007-09**	FY 2010	FY 2011	**2010-11**
Staffing FTEs	18.0	37.4	**27.7**	38.0	38.0	**38.0**	38.0	38.0	**38.0**
Insurance Servcies	$566,169	$1,481,124	**$2,047,293**	$1,580,425	$1,580,425	**$3,160,850**	$1,580,425	$1,580,425	**$3,160,850**
Ins Serv Indirect Cost	30,928	84,407	**115,335**	84,407	84,407	**168,814**	84,407	84,407	**168,814**
Specialty Compliance	54,231	86,017	**140,248**	86,017	86,017	**172,034**	86,017	86,017	**172,034**
Spec Compl. Indirect Cost	830	1,264	**2,094**	1,264	1,264	**2,528**	1,264	1,264	**2,528**
Publ. Aff., OHR, Fin, IS, AG, Lease	5,920,564	5,663,213	**11,583,777**	1,980,027	1,980,027	**3,960,054**	1,980,027	1,980,027	**3,960,054**
Total New Family Leave Fund	$6,572,722	$7,316,025	**$13,888,747**	$3,732,140	$3,732,140	**$7,464,280**	$3,732,140	$3,732,140	**$7,464,280**
Non-Approp Funds Benefits Paid	$0	$21,866,667	**$21,866,667**	$32,800,000	$32,800,000	**$65,600,000**	$32,800,000	$32,800,000	**$65,600,000**
Total Non-App and App Funds	$6,572,722	$29,182,692	**$35,755,414**	$36,532,140	$36,532,140	**$73,064,280**	$36,532,140	$36,532,140	**$73,064,280**

Revised Mar 25, 2005

Attachment 3

E2SSBa 5069 Family Leave Insurance

Assumptions:

Calendar Year	Hourly Rates
2006	$0.0200
2007	$0.0114
2008	$0.0114
2009	$0.0114
2010	$0.0114
2011	$0.0114

No inflationary change in benefit
No rate increases allowed

3,240,000,000 **2004 hours from 13,116 employers w>50 employees. From Bob Wagner, ESD**
810,000,000 **Quarterly Hours Reported*** **$8,200,000** **Quarterly benefit costs, initially**

	REVENUES		COSTS				
Quarter Ending	Amount Borrowed from SPRA	Premiums Collected	Loan Repayment	Implementation and Ongoing Expenditures from FN	Benefits Paid	Cash Flow	Balance
9/30/2005	$1,800,000			$1,700,000		$ 100,000	$ 100,000
12/30/2005	$1,800,000			1,700,000		100,000	200,000
3/30/2006	$1,800,000			1,700,000		100,000	300,000
6/30/2006		16,200,000	$1,840,350	1,700,000		12,659,650	12,959,650
9/30/2006		**16,200,000**	**$1,840,350**	**1,905,000**	**$ 1,366,667**	11,087,983	24,047,633
12/30/2006		**16,200,000**	**$1,840,350**	**1,905,000**	**4,100,000**	8,354,650	32,402,283
3/30/2007		**16,200,000**		**1,905,000**	**8,200,000**	6,095,000	38,497,283
6/30/2007		**9,217,500**		**1,905,000**	**8,200,000**	(887,500)	37,609,783
9/30/2007		9,217,500		1,017,500	8,200,000	0	37,609,783
12/30/2007		9,217,500		1,017,500	8,200,000	0	37,609,783
3/30/2008		9,217,500		1,017,500	8,200,000	0	37,609,783
6/30/2008		9,217,500		1,017,500	8,200,000	0	37,609,783
9/30/2008		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
12/30/2008		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
3/30/2009		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
6/30/2009		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
9/30/2009		9,217,500		1,017,500	8,200,000	0	37,609,783
12/30/2009		9,217,500		1,017,500	8,200,000	0	37,609,783
3/30/2010		9,217,500		1,017,500	8,200,000	0	37,609,783
6/30/2010		9,217,500		1,017,500	8,200,000	0	37,609,783
9/30/2010		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
12/30/2010		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
3/30/2011		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783
6/30/2011		**9,217,500**		**1,017,500**	**8,200,000**	0	37,609,783

L&I: Revised 4-1-05

*In 2003, 3.9 Billion hours were reported for State Fund and Self-Insured employers. We have assumed that 90% of these folks are covered, which gives us 3.5 Billion hours projected to be reported for the Family Leave program. Dividing this by 4, gives us the 875 Million hours projected to be reported for the Family Leave program.