

Multiple Agency Fiscal Note Summary

Bill Number: 1981 E S HB	Title: Public & higher ed employees
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Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	Fiscal note not available								
Office of Financial Management	.0	(54,472,000)	6,970,000	.0	(53,640,000)	9,290,000	.0	(53,640,000)	9,290,000
Department of Retirement Systems	Fiscal note not available								
State Investment Board	Fiscal note not available								
Higher Education Coordinating Board	Fiscal note not available								
University of Washington	.7	172,897	172,897	.2	17,198	17,198	.2	17,198	17,198
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								
Community and Technical College System	Fiscal note not available								
Total	0.7	\$(54,299,103)	\$7,142,897	0.2	\$(53,622,802)	\$9,307,198	0.2	\$(53,622,802)	\$9,307,198

Estimated Capital Budget Impact

NONE

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

** See local government fiscal note

FNPID 30220

FNS029 Multi Agency rollup

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

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 1981 E S HB	Title: Public & higher ed employees	Agency: 105-Office of Financial Management
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Part I: Estimates



No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
Account					
General Fund-State 001-1	(27,652,000)	(26,820,000)	(54,472,000)	(53,640,000)	(53,640,000)
Education Legacy Trust Account-State 08A-1	(335,000)	(266,000)	(601,000)	(532,000)	(532,000)
Institutions of Higher Education - Grant and Contracts Account-Non-Appropriated 145 -6	19,573,500	20,488,500	40,062,000	40,977,000	40,977,000
Institutions of Higher Education - Dedicated Local Account-Non-Appropriated 148 -6	9,148,500	9,550,500	18,699,000	19,101,000	19,101,000
Institutions of Higher Education - Data Processing Account-Non-Appropriated 443 -6	732,000	741,000	1,473,000	1,482,000	1,482,000
University of Washington Hospital-Non-Appropriated 505 -6	923,000	1,010,000	1,933,000	2,020,000	2,020,000
Accident Account-State 608-1	(32,000)	(29,000)	(61,000)	(58,000)	(58,000)
Medical Aid Account-State 609 -1	(33,000)	(30,000)	(63,000)	(60,000)	(60,000)
Total \$	2,325,000	4,645,000	6,970,000	9,290,000	9,290,000

Estimated Capital Budget Impact:

NONE

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:	Erik Sund	Phone: 360-786-7454	Date: 05/03/2011
Agency Preparation:	Jane Sakson	Phone: 360-902-0549	Date: 05/05/2011
Agency Approval:	Pam Davidson	Phone: 360-902-0550	Date: 05/05/2011
OFM Review:	Tristan Wise	Phone: (360) 902-0538	Date: 05/05/2011

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.

Section 7(2) - State funding for higher education annuity and retirement plans would be capped at 6% of pay, beginning July 1, 2011. The State Board for Community and Technical Colleges (SBCTC) and the Higher Education Coordinating Board (HECB) are excluded from the 6% state funding cap. Employer contributions to these plans range from 5% to 10% of pay. It is assumed that employer funding for contributions greater than 6% will be shifted from state funds to local funds. For purposes of this fiscal note, the cost impact to local funds is shown in proportion to the amounts of compensation budgeted to those funds, but agencies may opt to allocate the cost to local funds differently.

The amounts shown on this Office of Financial Management fiscal note include the impact of the 6% cap on state funding to higher education institutions statewide, excluding the SBCTC and the HECB. All estimates are based on data submitted to the Office of Financial Management by agencies and institutions in preparation for development of the 2011-13 Biennial Budget. In this analysis, it is assumed that current members of Higher Education Retirement Plans remain eligible for those plans, even if they would not qualify under the revised criteria in the bill.

Section 7(4)(b) establishes an employer contribution rate of 0.5% of salary to begin pre-funding the cost of supplemental benefits in Higher Education Retirement Plans, effective January 1, 2012. In subsequent years, the employer contribution rate may be adjusted by the Pension Funding Council (Section 7(4)(d)). For purposes of this fiscal note, the 0.5% contribution rate is used throughout.

Cost estimates in this fiscal note are the net impact of both the 6% state funding cap and the 0.5% employer contribution. The effect of the funding cap is significantly larger than that of the employer contribution rate. The cost of 0.5% employer contribution in the 2011-13 Biennium is shown below.

	FY1	FY2		
General Fund - State	001-1	\$2,607,000	\$5,215,000	
Education Legacy Trust Account - State	08A-1	\$54,000	\$109,000	
Institutions of Higher Education - Grant and Contracts Account - Non-Appropriated		145-6	\$843,000	\$1,686,000
Institutions of Higher Education - Dedicated Local Account - Non-Appropriated		148-6	\$380,000	\$761,000
Institutions of Higher Education - Data Processing Account - Non-Appropriated		443-6	\$10,000	\$19,000
University of Washington Hospital - Non-Appropriated		505-6	\$86,000	\$173,000
Accident Account -State	608-1	\$4,000	\$7,000	
Medical Aid Account - State	609-1	\$3,000	\$6,000	

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.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 1981 E S HB	Title: Public & higher ed employees	Agency: 360-University of Washington
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	0.2	0.7	0.2	0.2
Account					
General Fund-State 001-1	148,798	24,099	172,897	17,198	17,198
Total \$	148,798	24,099	172,897	17,198	17,198

Estimated Capital Budget Impact:

NONE

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: Erik Sund	Phone: 360-786-7454	Date: 05/03/2011
Agency Preparation: Jessica Thompson	Phone: (206) 685-9955	Date: 05/04/2011
Agency Approval: Jessica Thompson	Phone: (206) 685-9955	Date: 05/04/2011
OFM Review: Marc Webster	Phone: 360-902-0650	Date: 05/05/2011

Request # 2011-123-1

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.

HB 1981:

- Limits the state's employer contribution to any of the higher education retirement plans to no more than 6 percent. Note that the UW believes that legally it will be obligated to continue to support, with local funds, its existing retirement contributions (7.5% total employer contribution for employees age 35 and above, and 10% total employer contribution for employees age 50 and above) for existing employees.
- Requires that newly hired faculty and staff members who are eligible for participation in an annuity or retirement income plan offered by a higher education institution are provided a 30 day window to make an irrevocable choice to participate in either a plan without a supplemental benefit or in the public employees' retirement system plan 3 (staff) or the teachers' retirement system plan 3 (faculty).
- Requires that the institutions of higher education contract with the state actuary for an actuarial valuation of their supplemental benefit plan. The institutions must pay the cost of this analysis via an interagency reimbursement.
- Requires an Experience Study to be performed by the State Actuary and billed to the institutions.

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.

Please note that savings to the state general fund and medical aid and accident accounts, as calculated by OFM and confirmed by the UW, are represented as costs to the institutions in the OFM Fiscal Note per the below:

- \$8.341m for FY12, FY 14 and FY16, and \$8.342m for FY 13, FY15 and FY17 in GFS savings that translate into local costs for the UW.
- \$36k for FY12 through FY 16 for L&I Accident Account (608) GFS savings that translate into local costs for the UW.
- \$36k for FY12 through FY 16 for Medical Aid/Coroner Account (609) GFS savings that translate into local costs for the UW.

Implementation costs to the UW are represented above based on the following:

1. An ongoing cost of \$8,599 is reported above in salary (\$6,295) and benefits (\$2,304) starting in FY12 to represent .2 FTE annual effort for an Office Assistant to provide staff support for managing/tracking the new benefits election

process established by the bill.

2. One-time costs of \$140,199 are reported above in salary (\$107,350) and benefits (\$32,849) in FY12 to represent the following staff effort:

- Sr. Application Systems Engineer (Mainframe): .25 FTE for FY12
- Sr. Application Systems Engineer (Server): .25 FTE for FY12
- Sr. Application Systems Engineer (Test): .25 FTE for FY12
- Technology Manager (Dev/Test): .1 FTE for FY12
- HR Analyst: .15 FTE for FY12
- IT Director: .05 FTE for FY12

These staff will be engaged in making the necessary changes to the payroll and reporting systems, which would take up to six months to implement. The level of effort is due to the complications of different eligibility rules, particularly for lecturers, and the cost of correction generated by the current slow paper based election process, as well as by an additional eligibility monitoring process will all have costs.

3. The total cost of the Experience Study required from the State Actuary and billed to the institutions for HB 1981 is \$51,000. UW's share would be about 50% - or \$15,500 every 6 years -beginning in 2013.

4. Note that the UW coordinates the Valuations on behalf of all of the schools. The total cost for all schools in 2009 was \$65,000. The consultant used has been working with higher education data for the past 15 years, making their ongoing costs relatively low for us. Should the State Actuary charge an amount higher than \$65,000 to perform this task for all institutions, this would represent a cost over and above those reported in this Fiscal Note.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	0.2	0.7	0.2	0.2
A-Salaries and Wages	113,645	6,295	119,940	12,590	12,590
B-Employee Benefits	35,153	2,304	37,457	4,608	4,608
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements		15,500	15,500		
T-Intra-Agency Reimbursements					
9-OFM CALCULATED STATE SAVINGS					
Total:	\$148,798	\$24,099	\$172,897	\$17,198	\$17,198

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 2012	FY 2013	2011-13	2013-15	2015-17
HR Analyst	70,000	0.2		0.1		
IT Director	148,000	0.1		0.0		
Office Assistant	31,500	0.2	0.2	0.2	0.2	0.2
Sr. Application Systems Engineer	103,000	0.3		0.1		
(Server)						
Sr. Application Systems Engineer	117,000	0.3		0.1		
(Test)						
Sr. Application Systems Engineer	95,000	0.3		0.1		
(Mainframe)						
Technology Manager (Dev/Test)	107,000	0.1		0.1		
Total FTE's	671,500	1.3	0.2	0.8	0.2	0.2

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.