

Multiple Agency Fiscal Note Summary

Bill Number: 2613 HB	Title: Higher ed efficiencies
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Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	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
University of Washington	(5.1)	0	0	(10.2)	(80,550)	(1,130,250)	(10.2)	(107,400)	(1,507,000)
Washington State University	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Eastern Washington University	Fiscal note not available								
Central Washington University	Fiscal note not available								
The Evergreen State College	.0	0	0	.0	0	0	.0	0	0
Western Washington University	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Community and Technical College System	.0	0	0	.0	0	0	.0	0	0
Total	(5.1)	\$0	\$0	(10.2)	\$(80,550)	\$(1,130,250)	(10.2)	\$(107,400)	\$(1,507,000)

Estimated Capital Budget Impact

NONE

Prepared by: Cherie Berthon, OFM	Phone: 360-902-0659	Date Published: Preliminary 1/28/2014
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 36619

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 2613 HB	Title: Higher ed efficiencies	Agency: 090-Office of State Treasurer
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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: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/28/2014
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/28/2014
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 01/28/2014

Request # 050-1

Bill # 2613 HB

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.

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.

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 IV: Capital Budget Impact

NONE

Individual State Agency Fiscal Note

Bill Number: 2613 HB	Title: Higher ed efficiencies	Agency: 360-University of Washington
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	(10.2)	(5.1)	(10.2)	(10.2)
Account					
General Fund-State 001-1	0	0	0	(80,550)	(107,400)
University of Washington	0	0	0	(1,049,700)	(1,399,600)
Hospital-Private/Local 505-7					
Total \$	0	0	0	(1,130,250)	(1,507,000)

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: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Becka Johnson	Phone: 206-616-7203	Date: 01/28/2014
Agency Approval: Becka Johnson	Phone: 206-616-7203	Date: 01/28/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/28/2014

Request # 2014-17-1

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.

--Requires four-year institutions of higher education that increase tuition beyond levels assumed in the omnibus appropriations act after January 1, 2011, to report to the governor and relevant committees of the legislature by December 31st every year on the effectiveness of the various sources and methods of financial aid in mitigating tuition increases.

--Authorizes an institution of higher education to pay its employees for services rendered biweekly.

--Changes the purpose of the joint legislative audit and review committee's systemic performance audit of the tuition- setting authority granted to the governing boards of the state universities, regional universities, and The Evergreen State College.

--Exempts from pre-design review, projects at institutions of higher education, which may be valued up to \$10 million.

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.

Two years ago, when the state considered a pay frequency change to bi-weekly, the estimated cost for the University of Washington to implement the change was between \$1.5 - \$3 million. However, the change to a bi-weekly system could now occur in conjunction with a new system implementation, which would eliminate the associated expenses in upgrading a legacy system.

The annual savings of under "Salaries and Wages" and under "Employee Benefits" are the result of staff time that can be reduced by aligning schedules, work weeks, and pay periods. This alignment would reduce the work associated with the review and approval of worked hours to meet the requirements of a semi-monthly payroll. The current semi-monthly pay frequency, required as per RCW 42.16.010, stipulates that agencies pay all state officers and employees "for services rendered from the first day of the month through the fifteenth day of the month and for services rendered from the sixteenth day of the month through the last calendar day of the month" and that "one-half of the employee's basic monthly salary shall be paid in each pay period" which results in employees being paid half of their monthly pay on the 10th and 25th of each month. And lastly, "employees paid on an hourly basis or employees who work less than pay period shall be paid for actual salary earned."

For the 13,722 employees that are overtime and premium pay eligible, semi-monthly pay frequency presents some cost-driving challenges. Overtime pay must be calculated on a work week basis; but, as work weeks often do not end the last day of a pay period (15th or the last day of the month), calculating overtime involves reviewing hours worked in two pay periods. This has caused confusion for employees and, consequently, an administrative burden for managers and payroll staff who must troubleshoot, research and explain differences between hours worked and paid. This is further complicated by the complexity of clinical pay, which often includes special premiums that are tied to specific schedules, shifts, and overtime hours worked. The additional

administrative effort required to correctly assign hours and pay types leads to errors and rework for the employee population whose work schedules do not line-up with traditional Monday-Friday business work weeks.

The majority of the cost savings would come from UW Medicine as semi-monthly payroll is unusual, and particularly challenging, in the healthcare industry. The medical centers schedule staff according to workload in weekly increments, which is the norm in the industry. The misalignment of staff schedules, work weeks, and pay periods adds complexity to the payroll structure for 24/7 employees. Changing to a bi-weekly pay frequency would provide significant scheduling efficiencies for UW Medicine's 24/7 operations.

Although the majority of savings would come from UW Medicine, this fiscal note assumes that the UW as a whole would switch to a bi-weekly pay frequency. UW Medicine employees comprise 30 percent of the UW workforce and, as UW Medicine employees are members of UW bargaining units, some have appointments in both clinical and non-clinical areas of the UW. If only UW Medicine implemented the bi-weekly pay frequency, it would actually be more expensive than having the UW as a whole implement the system as 26 additional pay cycles would be added, which would increase processing costs by an estimated \$273,000.

The FTE-related savings of having the UW as a whole switch to bi-weekly pay frequency were calculated by subtracting the estimated amount of time that payroll staff and managers spend approving time sheets and answering payroll-related questions under the current semi-monthly system from the estimated amount of time they would spend doing those same activities under the bi-weekly system. The difference is as follows:

- UW Medicine would annually save approximately 8,800 staff hours. This translates to -4.41 FTE in payroll staff positions, which have an average salary of \$42,898 and the classified staff benefits rate (currently 35.3%), and -4.87 FTE in management positions, which have an average salary of \$71,752 and the professional staff benefits rate (currently 30.9%).
- The rest of the UW would annually save approximately 183.3 staff hours. This translates to -0.09 FTE in payroll staff positions (same salary and benefits as above) and -0.86 FTE in management positions (same salary and benefits as above).

The average salaries assume a 2% salary increase above current levels for classified staff and a 4% salary increase above current levels for professional staff.

The annual \$45,500 in "Goods and Other Services" expenditures are for the additional direct deposit fees and check costs that would result from having two extra pay periods each year:

- An estimated 78,000 additional direct deposit fees at \$0.07 per transaction = approximately \$5,500
- An estimated 2,000 additional paper checks at \$20.00 per check = \$40,000

As UW Medicine employees make up 30 percent of the UW's workforce, 30 percent of these expenditures are expected to be for UW Medicine. The other 70 percent would be for the UW as a whole. The distribution of savings between the UW Hospital account (505) and the general fund-state (001) are based on this expected distribution of costs as well as the FTE savings described above in each area of the university.

As the bi-weekly payroll system is expected to be implemented on January 1, 2016, we only show half of the expected annual expenditures and savings for FY 2016.

The UW estimates the impact of Sec 3, which defines how institutional quality would be measured, would have a minimal impact on the UW as the data required is already available. Some small amount of additional staff time would be necessary to gather the information, but any associated expenditures could be absorbed within existing resources.

The UW estimates the impact of Sec 4(5), exempting projects of up to \$10 million from pre-design review, would be negligible. The number of pre-designs that would be impacted by this bill varies from year to year. On years with a greater number of pre-designs that would be impacted, the savings could equate up to 0.5 FTE in project management and capital support. On other years, the savings would be minimal. For this reason, the UW assumes the cost savings associated with this section of the bill would be negligible.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		(10.2)	(5.1)	(10.2)	(10.2)
A-Salaries and Wages				(906,000)	(1,208,000)
B-Employee Benefits				(292,500)	(390,000)
C-Professional Service Contracts					
E-Goods and Other Services				68,250	91,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$0	\$0	(\$1,130,250)	\$(1,507,000)

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 2014	FY 2015	2013-15	2015-17	2017-19
Fiscal Staff	42,898		(4.5)	(2.3)	(4.5)	(4.5)
Manager	71,752		(5.7)	(2.9)	(5.7)	(5.7)
Total FTE's	114,650		(10.2)	(5.1)	(10.2)	(10.2)

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.

Request # 2014-17-1

Bill # 2613 HB

Individual State Agency Fiscal Note

Bill Number: 2613 HB	Title: Higher ed efficiencies	Agency: 365-Washington State University
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

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.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Chris Jones	Phone: 509-335-9682	Date: 01/28/2014
Agency Approval: Kelley Westhoff	Phone: 5093350907	Date: 01/28/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/28/2014

Request # 2014-23-1

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.

Section 2 of HB 2613 allows for institutions of higher education to implement a biweekly payroll. WSU has no plans to change its pay cycle, therefore this section will have no fiscal impact.

Section 4 would exempt university capital projects that are valued up to \$10 million from the predesign state that is currently required.

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.

WSU has no plans to change its pay cycles to biweekly at this time, therefore section 2 will have no fiscal impact.

There is potential for cost savings if Section 4 is implemented and the pre-design threshold is raised, thereby expediting the overall construction process. The current pre-design requirement for construction projects results in a timeline of 3 to 6 years. However, construction projects between \$5M and \$10 million can typically be accomplished in two years or less. The cost of inflation has a significant impact on the project for the extra years in current legislation. This legislation will shorten the timeframe to complete projects between \$5M and \$10M, thus avoiding unnecessary inflationary costs.

WSU expects cost savings greater than \$50,000 would be associated with the exemption from predesign per Section 4 of SB 6362; however, fiscal impact is indeterminate because the number of projects and individual project budgets that would be subject to the new provisions is unknown.

Part III: Expenditure Detail

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: 2613 HB	Title: Higher ed efficiencies	Agency: 376-The Evergreen State College
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Part I: Estimates

☒ **No Fiscal Impact**

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Steve Trotter	Phone: (360) 867-6185	Date: 01/24/2014
Agency Approval: Steve Trotter	Phone: (360) 867-6185	Date: 01/24/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/26/2014

Request # TESC-012-1

Bill # 2613 HB

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 2613 section 1 (6) clarifies that only institutions who increase tuition level beyond levels assumed in the omnibus appropriations act have certain reporting and financial aid mitigation requirements. Section 2 (5) provides the option for higher education to change paydays to occur biweekly rather than the current prescribed 10th and 25th dates. In addition this section would allow institutions the option to pay academic employees who work less than 12 months pro-rated over the full fiscal year consistent with 12 month employees. For purposes of the required audit for institutions who exercise this additional flexibility to increase tuition beyond the level set in the budget section 3 provides a definition of how the audit will measure institutional quality.

Since the language is permissive regarding payroll changes and since The Evergreen State College hasn't used this additional tuition setting authority we see no immediate fiscal impact associated with the changes specified in this 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.

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

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: 2613 HB	Title: Higher ed efficiencies	Agency: 380-Western Washington University
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

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.

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Kirk England	Phone: 360-650-4694	Date: 01/27/2014
Agency Approval: Linda Teater	Phone: 360-650-4762	Date: 01/27/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/27/2014

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 2613 as written would have an indeterminate fiscal impact on WWU.

Section 3(1) includes a series of new institutional quality measures that will require additional faculty and staff time to gather, analyze, and provide to the joint committee for the purpose of the audit.

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

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: 2613 HB	Title: Higher ed efficiencies	Agency: 699-Community/Technical College System
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Part I: Estimates

☒ **No Fiscal Impact**

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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.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Madeleine Thompson	Phone: 360-786-7304	Date: 01/24/2014
Agency Preparation: Brian Myhre	Phone: 360-704-4413	Date: 01/28/2014
Agency Approval: Nick Lutes	Phone: (360) 704-1023	Date: 01/28/2014
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/28/2014

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 contains several provisions that seek to promote efficiencies in higher education.

Section 2(5)(a)

Would allow an institution of higher education to pay its employees for services rendered biweekly. Pay periods shall be two consecutive 7 calendar day weeks. The payday for each pay period shall be 7 calendar days after the end of the pay period.

Section 4(5)

Would change the threshold at which capital projects at institutions of higher education are required to undergo predesign review by the Office of Financial Management (OFM). The threshold is increased from five million to ten million dollars.

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.

No cash receipts impact.

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.

No fiscal impact.

Section 2(5)(a)

Would allow, but does not require, institutions of higher education to revise their payroll processes to reflect a biweekly process. The community and technical college system would not revise their payroll processes at this time.

Section 4(5)

Would raise the project-cost-threshold for OFM's review of predesigns, prior to allotting funds for major capital construction projects, from \$5M to \$10M for institutions of higher education.

OFM's predesign review includes, but is not limited to, the programmatic need, costs, value-engineering, and constructability. These elements are essential to the design of most projects and eliminating OFM's review does not necessarily eliminate the need for predesign work.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Section 4(5) would have no fiscal impact, as discussed in the expenditure section of this fiscal note.

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.

No rule-making required.