

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6017 SB	<b>Title:</b> Providing Progressive Tax Reform
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## Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of Attorney General	0	205,000	0	272,000	0	272,000
Office of Administrative Hearings	0	53,794	0	86,070	0	86,070
Employment Security Department	363,402,977	363,402,977	624,384,264	624,384,264	656,766,101	656,766,101
<b>Total \$</b>	<b>363,402,977</b>	<b>363,661,771</b>	<b>624,384,264</b>	<b>624,742,334</b>	<b>656,766,101</b>	<b>657,124,171</b>

## Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Attorney General	.8	0	205,000	1.0	0	272,000	1.0	0	272,000
Office of Administrative Hearings	.2	0	53,794	.3	0	86,070	.3	0	86,070
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	49.8	21,906,090	21,906,090	27.6	6,620,848	6,620,848	27.6	6,620,848	6,620,848
<b>Total \$</b>	<b>50.8</b>	<b>21,906,090</b>	<b>22,164,884</b>	<b>28.9</b>	<b>6,620,848</b>	<b>6,978,918</b>	<b>28.9</b>	<b>6,620,848</b>	<b>6,978,918</b>

## Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

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<b>Prepared by:</b> Anna Minor, OFM	<b>Phone:</b> (360) 902-0541	<b>Date Published:</b> Final 4/26/2019
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6017 SB	<b>Title:</b> Providing Progressive Tax Reform	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
Legal Services Revolving Account-State 405-1	69,000	136,000	205,000	272,000	272,000
<b>Total \$</b>	69,000	136,000	205,000	272,000	272,000

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5	1.0	0.8	1.0	1.0
<b>Account</b>					
Legal Services Revolving Account-State 405-1	69,000	136,000	205,000	272,000	272,000
<b>Total \$</b>	69,000	136,000	205,000	272,000	272,000

*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: 04/16/2019
Agency Preparation: Amy Soth	Phone: 509-456-3123	Date: 04/22/2019
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 04/22/2019
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 04/24/2019

## 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.*

An act relating to providing progressive tax reform by imposing an excise tax on compensation over one million dollars. Adds a new chapter to Title 50A RCW and prescribes penalties.

Section 1: Definition Section.

Section 2: Beginning January 1, 2020 the Employment Security Department (ESD) must assess excess tax on employers for those employees making more specified amounts.

Section 3: Employer requirements.

Section 4: Employer penalties.

Section 5: List of Statutes that govern the processes.

Section 6: Accrual of interest.

Section 7: Procedure to seize and sell property.

Section 8: Uncollectable accounts.

Section 9: Monies obtained go to general fund.

Section 10: Procurement exemption.

Section 11: Short title defined.

Section 12: Sections 1-11 are a new chapter in Title 50A RCW.

### 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.*

Cash receipts are assumed to equal the Legal Service Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is ESD. The AGO will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agencies' fiscal note. Appropriation authority is necessary in the AGO budget.

### 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.

**AGO Agency Assumptions:**

1. This bill is assumed effective 90 days after the end of the 2019 legislative session.
2. This request does not include cost of living salary increases identified in the Governor’s proposed 2019-21 budget.

**Assumptions for the AGO Licensing & Administrative Law (LAL) Legal Services for ESD:**

1. The AGO will bill ESD for legal services based on the enactment of this bill.
2. In FY 2020, the AGO will provide advice on rulemaking, operational process, statutory construction, and contract procurement issues, totaling approximately 300 Assistant Attorney General (AAG) hours. Additionally, 265 AAG hours are assumed for yearly litigation services when the first of the appeals will begin.
3. Beginning in approximately April 2020, ESD will issue orders and notices of assessment defined in Section 2, 3 and 4 for unpaid excess compensation taxes, which are subject to administrative appeal rights. From that point forward, LAL assumes 57 employers will request administrative hearings per FY.
4. ESD is assumed to request AGO representation in litigating for 19 administrative appeals per FY, particularly when the law is new and on complex or higher-stakes appeals. Each administrative appeal handled by the AGO is assumed to require 40 hours of AAG legal services for briefing, oral argument, exhibit submission, and witness examination. This totals 760 AAG hours per FY.
5. With respect to administrative appeals litigated by agency staff, the AGO will provide training, develop legal resources, and offer review and advice when needed for an additional total of 100 AAG hours per FY.
6. The AGO will handle all court appeals from final agency orders assessing excess compensation taxes. LAL assumes 5 court appeals each year, each requiring an average of 40 AAG hours for briefing, argument preparation, travel, oral argument, and client communication. This totals 200 AAG hours.
7. FY 2020: 0.30 AAG and 0.15 Legal Assistant (LA) at a cost of \$69,000.  
FY 2021 and in each FY thereafter: 0.59 AAG and 0.30 LA at a cost of \$136,000.

Note: Agency administration support FTEs are included in the tables below, using a Management Analyst 5 as a representative classification.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
405-1	Legal Services Revolving Account	State	69,000	136,000	205,000	272,000	272,000
<b>Total \$</b>			69,000	136,000	205,000	272,000	272,000

**III. B - Expenditures by Object Or Purpose**

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5	1.0	0.8	1.0	1.0
A-Salaries and Wages	44,000	87,000	131,000	174,000	174,000
B-Employee Benefits	15,000	30,000	45,000	60,000	60,000
E-Goods and Other Services	8,000	17,000	25,000	34,000	34,000
G-Travel	1,000	1,000	2,000	2,000	2,000
J-Capital Outlays	1,000	1,000	2,000	2,000	2,000
<b>Total \$</b>	69,000	136,000	205,000	272,000	272,000

**III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Assistant Attorney General	103,560	0.3	0.6	0.5	0.6	0.6
Legal Assistant 3	51,004	0.2	0.3	0.2	0.3	0.3
Management Analyst 5	77,614	0.1	0.1	0.1	0.1	0.1
<b>Total FTEs</b>		0.5	1.0	0.8	1.0	1.0

**III. D - Expenditures By Program (optional)**

Program	FY 2020	FY 2021	2019-21	2021-23	2023-25
Licensing & Administrative Law Division (LAL)	69,000	136,000	205,000	272,000	272,000
<b>Total \$</b>	69,000	136,000	205,000	272,000	272,000

**Part IV: Capital Budget Impact**

NONE

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.*

None

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6017 SB	<b>Title:</b> Providing Progressive Tax Reform	<b>Agency:</b> 110-Office of Administrative Hearings
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
Administrative Hearings Revolving Account-State 484-1	10,759	43,035	53,794	86,070	86,070
<b>Total \$</b>	10,759	43,035	53,794	86,070	86,070

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1	0.3	0.2	0.3	0.3
<b>Account</b>					
Administrative Hearings Revolving Account-State 484-1	10,759	43,035	53,794	86,070	86,070
<b>Total \$</b>	10,759	43,035	53,794	86,070	86,070

*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: 04/16/2019
Agency Preparation: Deborah Feinstein	Phone: 360-407-2717	Date: 04/23/2019
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 04/23/2019
OFM Review: Bryan Way	Phone: (360) 902-0650	Date: 04/24/2019

## 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.*

The proposed legislation requires the Employment Security Department (ESD) to issue orders and notices of assessment defined in Section 2, 3, and 4 for unpaid excess compensation taxes. These orders and assessments are subject to administrative appeal rights and any appeals will be heard by the Office of Administrative Hearings.

### 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.*

As a central service agency, OAH bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Employment Security Department (ESD) for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

### 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 Employment Security Department (ESD) estimates that there will be 57 appeals per year coming to the Office of Administrative Hearings (OAH) beginning April 1, 2020. The Office of Administrative Hearings (OAH) estimates that these appeals will take approximately 5 billable Administrative Law Judge (ALJ) hours per case plus associated support, supervisory, and administrative time. This is the same estimate as used for the paid family medical leave employer premium appeals.

#### Workforce Assumptions:

- \* Ratio of 1 line ALJ to .15 Senior ALJ to 0.5 legal support to 0.25 administrative support.
- \* Average ALJ salary for line ALJ and senior ALJ used.
- \* Legal support staff assumed to be Legal Assistant 2 - range 40 step L.
- \* Administrative support used a representative class of Management Analyst 4 - range 58 step L.
- \* Benefit rates were analyzed by job class using SPS data.
- \* Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classes.

#### Total Workload Impact:

FY 2020: .04 Administrative Law Judge at a cost of \$6,358; 0.01 Senior Administrative Law Judge at a cost of \$1,082; 0.02 Legal Assistant 2 at a cost of \$1,979. Agency administrative support is included using 0.01 FTE of a Management Analyst 4 as a representative at a cost of \$1,340. Total cost: \$ 10,759.

FY 2021 and each FY thereafter: 0.18 Administrative Law Judge at a cost of \$25,433; 0.03 Senior Administrative Law Judge at a cost of \$4,327; 0.09 Legal Assistant 2 at a cost of \$7,917. Agency administrative support is



included using 0.04 FTE of a Management Analyst 4 as a representative at a cost of \$5,358. Total cost: \$43,035.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
484-1	Administrative Hearings Revolving Account	State	10,759	43,035	53,794	86,070	86,070
<b>Total \$</b>			10,759	43,035	53,794	86,070	86,070

#### III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1	0.3	0.2	0.3	0.3
A-Salaries and Wages	6,556	26,224	32,780	52,448	52,448
B-Employee Benefits	2,312	9,247	11,559	18,494	18,494
C-Professional Service Contracts					
E-Goods and Other Services	1,711	6,844	8,555	13,688	13,688
G-Travel	78	313	391	626	626
J-Capital Outlays	102	407	509	814	814
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	10,759	43,035	53,794	86,070	86,070

#### III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Administrative Law Judge	90,000	0.0	0.2	0.1	0.2	0.2
Legal Assistant 2	46,188	0.0	0.1	0.1	0.1	0.1
Management Analyst 4	72,036	0.0	0.0	0.0	0.0	0.0
Senior ALJ	105,000	0.0	0.0	0.0	0.0	0.0
<b>Total FTEs</b>		0.1	0.3	0.2	0.3	0.3

### Part IV: Capital Budget Impact

NONE

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.*

None.

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 6017 SB	<b>Title:</b> Providing Progressive Tax Reform	<b>Agency:</b> 140-Department of Revenue
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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:	Phone:	Date: 04/16/2019
Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 04/18/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 04/18/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 04/18/2019

Request # 6017-1-1

## 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.*

#### CURRENT LAW:

There is no tax based on employee compensation.

#### PROPOSAL:

A tax based on annual compensation totaling \$1 million or more is imposed. Annual compensation means the total of wages and self-employment income.

The Employment Security Department administers the tax.

If total annual compensation is:

- Between \$1 million and \$5 million, the rate is 5 percent.
- Between \$5 million and \$10 million, the rate is 7.5 percent.
- Greater than \$10 million, the rate is 10 percent.

The tax amount is rounded to the nearest penny.

Wages paid to federal employees are exempt from the tax.

Revenues are deposited into the state general fund.

#### EFFECTIVE DATE:

January 1, 2020

### 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.*

This legislation results in no revenue impact to taxes administered by the Department of Revenue.

### 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 Department of Revenue will not incur any costs with the implementation of this legislation.

## 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.*

No rule-making required.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6017 SB	<b>Title:</b> Providing Progressive Tax Reform	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
General Fund-State 001-1	71,989,496	291,413,481	363,402,977	624,384,264	656,766,101
<b>Total \$</b>	71,989,496	291,413,481	363,402,977	624,384,264	656,766,101

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	49.8	49.8	49.8	27.6	27.6
<b>Account</b>					
General Fund-State 001-1	14,403,533	7,502,557	21,906,090	6,620,848	6,620,848
<b>Total \$</b>	14,403,533	7,502,557	21,906,090	6,620,848	6,620,848

*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:	Phone:	Date: 04/16/2019
Agency Preparation: Xia Zhan	Phone: 360 902-0023	Date: 04/22/2019
Agency Approval: Sondra Walsh	Phone: 360/902-0023	Date: 04/22/2019
OFM Review: Anna Minor	Phone: (360) 902-0541	Date: 04/26/2019

## 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.*

PFML is scheduled to complete its implementation by 6/30/2020. Based on the implementation date of the current PFML system there would not be time to promulgate rules, establish staffing structures, training, standard operating procedures, banking structures or technology changes; nor complete the communication necessary to affected individuals for the assessed tax until after a period of 18 months following PFML implementation. Therefore, ESD proposes that ESD begins to assess the tax 01/01/2023.

The bill requires ESD to assess an excess compensation tax on employers based on employee's wages. The definition of employee is similar to Paid Family Medical Leave (PFML) and includes self-employed individuals. The bill establishes a tiered system where taxes are assessed on wages that exceed \$1 million.

- Between \$1 million and \$5 million, the rate is 5 percent
- Between \$5 million and \$10 million the rate is 7.5 percent
- Greater than \$10 million, the rate is 10 percent.

Sec. 1 provides definitions, most significant is the expansion of the definition of employee to include self-employed. This will change who the department requires and processes reports from and create changes in the current technology builds for PFML.

Sec. 2 Requires the department to assess the tax beginning January 1, 2020 requiring the need to hire additional staff, modify current technology being built for the implementation of PFML benefit payments (for January 1, 2020) and add another program under PFML administration. As stated above ESD cannot meet the date established in Section 2.

Sec. 4 Establishes employer penalties creating the need to audit and track for compliance, increasing staffing needs and costs for operations.

Sec. 9 Requires the department to deposit funds in the general fund, this will impact ESD's financial operations, ACH, and other processes.

### 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.*

The following data was developed using UI reported data and includes the following assumptions:

Employees increasing proportional to employment growth projections (Average annual growth rates for 2016-2021 and 2022-2026, and 1 percent thereafter) <https://esd.wa.gov/labormarketinfo/projections>)

Total tax revenue increasing proportional to wage growth (wage and salary disbursements growth per ERFC March 2019 forecast <https://erfc.wa.gov/sites/default/files/public/documents/forecasts/t0319.pdf>)

Revenue and employees include Fall UI-covered employment, 2018 data from NGTS quarterly wage reports

## Ten-year cash receipts by FY

- Data assumes quarterly reporting, for example, FY 20 assumes three quarters from CY 2019 which are 0 and one quarter from CY 2020.

See attached for the detailed calculations for Cash Receipts.

## 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.*

To implement SB 6017, ESD would need to add a new team to our current technology team, expand operations staff, add additional comm staff, and policy staff.

### Technology

2 WMS 3 – July 2019 for 24 months

16 IT FTE from July 2019 for 24 months

There would likely be contracting costs to retain and expand current staff for implementation of the multiple programs. There would likely be challenges meeting the procurement requirements to attain new contracts.

ESD assumes 50% of milestone 2 costs and 8% of Milestone 3 costs

Milestone 2 Costs x 50% in FY20

$\$13,780,266 \times 50\% = \$6,890,133$

Milestone 3 Costs x 8% in FY21

$\$11,139,628 \times 8\% = \$891,170$

### Operations

Even with adding this to current tech builds, the department needs to hire additional staff. To achieve implementation by Jan. 1 2020, calculations were made by assuming 1/4 of the work for premium collection of PFML. By multiplying the total PFML ops staff times 1/4 to account for the portion that is theoretically used to process premium collection and reduced because of the population base. Currently in Paid Leave, 78 staff account for operations, accounting, and administration. One quarter is 20 staff. Absent any other data, we assume that the FTE will increase by 30% (cost to adjust for tax assessment and collection) We add 6 staff for a total of 26 FTE for tax assessment and collection for both programs (Paid Leave and ECTA). Assuming half are for ETCA, 13FTEs are needed for operation staff.

1 WMS1

1 WMS2

7 PFML 2

2 PFML 3

1 FA3

1 FA5

### Communications

ESD assumes there will be a significant communication role to educate employer customers about their new responsibilities under the program. This could include the expansion of reporting, new templates for reporting, and other FAQs. New documents and strategies will be created. ESD estimates 2 CC5 for 24 months with one on-going for ongoing support. \$1.5 million for marketing.

Policy

Significant and expedited rulemaking would need to occur in response to this bill. Therefore, one TPS 4 is added to current staffing.

2 TPS 4 July 2019 for 24 months

There are additional costs for AS&T, space, etc.

There are also other operational expenditures such as: Marketing and communications, Lockbox/credit card/ACH fees, Mailers, Facilities, Rulemaking and hearing costs for stenographer etc.

Appeals for OAH & AGO

For OAH, PFML appeals on premiums are projected at 229 appeals annually. Using the same logic model for operations staff, 1/4 of the appeals are likely for the excess compensation tax. We assume 57 OAH appeals annually for this new program. Total OAH costs: \$10,759 in FY2020 and \$43,035 in each FY thereafter.

The AGO will provide representation for up to 1/3 of the 57 appeals, around 19 administrative appeals each year.

Total workload impact: 565 AAG hours in FY 2020 (.31 AAG, at \$69,000), and 1060 AAG hours in each FY thereafter (.59 AAG, at \$136,000, ongoing).

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	14,403,533	7,502,557	21,906,090	6,620,848	6,620,848
<b>Total \$</b>			14,403,533	7,502,557	21,906,090	6,620,848	6,620,848

**III. B - Expenditures by Object Or Purpose**

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	49.8	49.8	49.8	27.6	27.6
A-Salaries and Wages	3,007,361	3,007,361	6,014,722	3,104,926	3,104,926
B-Employee Benefits	1,202,945	1,202,945	2,405,890	1,241,970	1,241,970
C-Professional Service Contracts	7,890,133	1,391,170	9,281,303		
E-Goods and Other Services	1,359,832	1,007,895	2,367,727	1,351,790	1,351,790
G-Travel					
J-Capital Outlays	50,076		50,076		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	893,186	893,186	1,786,372	922,162	922,162
9-					
<b>Total \$</b>	14,403,533	7,502,557	21,906,090	6,620,848	6,620,848

**III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
CC5	79,548	2.0	2.0	2.0	1.0	1.0
FA3	59,148	1.0	1.0	1.0	1.0	1.0
FA5	68,580	1.0	1.0	1.0	1.0	1.0
Indirect-FA5	70,000	12.8	12.8	12.8	6.6	6.6
ITS3	72,036	1.0	1.0	1.0		
ITS4	79,548	2.0	2.0	2.0	2.0	2.0
ITS5	87,792	5.0	5.0	5.0	3.0	3.0
ITS6	96,912	5.0	5.0	5.0		
MA4	72,036	3.0	3.0	3.0		
MA5-PM	77,616	1.0	1.0	1.0	1.0	1.0
PFML 2	59,148	7.0	7.0	7.0	7.0	7.0
PFML 3	65,292	2.0	2.0	2.0	2.0	2.0
TPS4	94,560	2.0	2.0	2.0		
WMS1-CCT	82,580	1.0	1.0	1.0	1.0	1.0
WMS2-CCT	98,895	1.0	1.0	1.0	1.0	1.0
WMS3	119,004	1.0	1.0	1.0	1.0	1.0
WMS3-IT	118,971	2.0	2.0	2.0		
<b>Total FTEs</b>		49.8	49.8	49.8	27.6	27.6

**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.*

Yes, several rules would be added to WAC 192.



## SB 6017 Cash Receipts

### 2018 UI Wage Data

Employees in 2018 by Tier

Tier 1	3,353
Tier 2	133
Tier 3	63

Tax Year	Estimates											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total employees	3,549	3,616	3,684	3,732	3,779	3,828	3,877	3,926	3,966	4,005	4,045	4,086
Total tax revenue	\$0	\$0	\$287,957,985	\$301,779,968	\$317,170,747	\$323,514,162	\$329,984,445	\$336,584,134	\$343,315,816	\$350,182,133	\$357,185,775	\$364,329,491
			287,957,985									
				\$78,155.58								

### Estimates assumptions

Employees increasing proportional to employment growth projections (Average annual growth rates for 2016-2021 and 2022-2026, and 1% thereafter) <https://esd.wa.gov/labormarketinfo/projections>)

Total tax revenue increasing proportional to wage growth (wage and salary disbursements growth per ERFC March 2019 forecast <https://erfc.wa.gov/sites/default/files/public/documents/forecasts/t0319.pdf>)

Revenue & employees includes all UI-covered employment, 2018 data from NGTS quarterly wage reports

Fiscal Year	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	
Cash Receipt		0	71,989,496	291,413,481	305,627,663	318,756,600	325,131,732	331,634,367	338,267,054	345,032,395	351,933,043	358,971,704

Fiscal Year	Cash Receipt
FY19	\$0
FY20	\$71,989,496
FY21	\$291,413,481
FY22	\$305,627,663
FY23	\$318,756,601
FY24	\$325,131,733
FY25	\$331,634,368
FY26	\$338,267,055
FY27	\$345,032,396
FY28	\$351,933,044
FY29	\$358,971,704



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	2020-29 TOTAL
Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
Office of Administrative Hearings	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
Employment Security Department	71,989,496	291,413,481	305,627,663	318,756,601	325,131,733	331,634,368	338,267,055	345,032,396	351,933,044	358,971,704	3,038,757,541
<b>Total</b>	<b>71,989,496</b>	<b>291,413,481</b>	<b>305,627,663</b>	<b>318,756,601</b>	<b>325,131,733</b>	<b>331,634,368</b>	<b>338,267,055</b>	<b>345,032,396</b>	<b>351,933,044</b>	<b>358,971,704</b>	<b>3,038,757,541</b>



# Ten-Year Analysis

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform	<b>Agency</b> 100 Office of Attorney General
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Amy Soth	Phone: 509-456-3123	Date: 4/22/2019 3:23:03 pm
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 4/22/2019 3:23:03 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform	<b>Agency</b> 110 Office of Administrative Hearings
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

## Narrative Explanation (Required for Indeterminate Cash Receipts)

None.

Agency Preparation: Deborah Feinstein	Phone: 360-407-2717	Date: 4/23/2019 9:28:07 am
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 4/23/2019 9:28:07 am
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

## Narrative Explanation (Required for Indeterminate Cash Receipts)

PROPOSAL:  
 A tax based on annual compensation totaling \$1 million or more is imposed. Annual compensation means the total of wages and self-employment income.

The Employment Security Department administers the tax.

If total annual compensation is:  
 -- Between \$1 million and \$5 million, the rate is 5 percent.  
 -- Between \$5 million and \$10 million, the rate is 7.5 percent.  
 -- Greater than \$10 million, the rate is 10 percent.

The tax amount is rounded to the nearest penny.

Wages paid to federal employees are exempt from the tax.

Revenues are deposited into the state general fund.

EFFECTIVE DATE:  
 January 1, 2020

This legislation results in no revenue impact to taxes administered by the Department of Revenue.



# Ten-Year Analysis

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform	<b>Agency</b> 140 Department of Revenue
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Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 4/18/2019 10:31:13 am
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 4/18/2019 10:31:13 am
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 6017 SB	<b>Title</b> Providing Progressive Tax Reform	<b>Agency</b> 540 Employment Security Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	2020-29 TOTAL
Excess Compensation Tax	000	71,989,496	291,413,481	305,627,663	318,756,601	325,131,733	331,634,368	338,267,055	345,032,396	351,933,044	358,971,704	3,038,757,541
<b>Total</b>		<b>71,989,496</b>	<b>291,413,481</b>	<b>305,627,663</b>	<b>318,756,601</b>	<b>325,131,733</b>	<b>331,634,368</b>	<b>338,267,055</b>	<b>345,032,396</b>	<b>351,933,044</b>	<b>358,971,704</b>	<b>3,038,757,541</b>
<b>Biennial Totals</b>		<b>363,402,977</b>		<b>624,384,264</b>		<b>656,766,101</b>		<b>683,299,451</b>		<b>710,904,748</b>		<b>3,038,757,541</b>

## Narrative Explanation (Required for Indeterminate Cash Receipts)

The following data was developed using UI reported data and includes the following assumptions:

Employees increasing proportional to employment growth projections (Average annual growth rates for 2016-2021 and 2022-2026, and 1 percent thereafter)  
<https://esd.wa.gov/labormarketinfo/projections>

Total tax revenue increasing proportional to wage growth (wage and salary disbursements growth per ERFC March 2019 forecast)  
<https://erfc.wa.gov/sites/default/files/public/documents/forecasts/t0319.pdf>

Revenue and employees include Fall UI-covered employment, 2018 data from NGTS quarterly wage reports

Ten-year cash receipts by FY

- Data assumes quarterly reporting for example, FY 20 assumes three quarters from CY 2019 which are 0 and one quarter from CY 2020.

Agency Preparation: Xia Zhan	Phone: 360 902-0023	Date: 4/22/2019 5:23:34 pm
Agency Approval: Sondra Walsh	Phone: 360/902-0023	Date: 4/22/2019 5:23:34 pm
OFM Review:	Phone:	Date: