

Multiple Agency Fiscal Note Summary

Bill Number: 5873 SB	Title: Unemployment insurance, family leave and medical leave premiums
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Employment Security Department	380,329,414	380,329,414	(214,000,000)	0	0	(29,400,000)	0	0	0
Total \$	380,329,414	380,329,414	(214,000,000)	0	0	(29,400,000)	0	0	0

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Administrative Hearings	.0	0	0	0	.0	0	0	0	.0	0	0	0
Employment Security Department	5.3	0	0	3,158,472	1.7	0	0	354,608	.0	0	0	0
Total \$	5.3	0	0	3,158,472	1.7	0	0	354,608	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

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Individual State Agency Fiscal Note

Bill Number: 5873 SB	Title: Unemployment insurance, family leave and medical leave premiums	Agency: 110-Office of Administrative Hearings
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Part I: Estimates

☒ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Josh Hinman	Phone: 3607867281	Date: 01/14/2022
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/19/2022
Agency Approval: Deborah Feinstein	Phone: 360-407-2717	Date: 01/19/2022
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 01/28/2022

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 .

No fiscal impact. This legislation will not measurably increase the appeal workload for 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 .

None.

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.

None.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

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

Bill Number: 5873 SB	Title: Unemployment insurance, family leave and medical leave premiums	Agency: 540-Employment Security Department
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
General Fund-State 001-1	203,893,082	176,436,332	380,329,414		
Unemployment Compensation Administration Account-Federal 119-2	(92,300,000)	(121,700,000)	(214,000,000)	(29,400,000)	
Family and Medical Leave Insurance Account-State 22F-1	(203,893,082)	(176,436,332)	(380,329,414)		
Total \$	(92,300,000)	(121,700,000)	(214,000,000)	(29,400,000)	

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.4	6.2	5.3	1.7	0.0
Account					
Unemployment Compensation Administration Account-Federal 119-2	391,271	286,815	678,086	354,608	0
Family and Medical Leave Insurance Account-State 22F-1	2,023,322	457,064	2,480,386	0	0
Total \$	2,414,593	743,879	3,158,472	354,608	0

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: Josh Hinman	Phone: 3607867281	Date: 01/14/2022
Agency Preparation: Dan Phillips	Phone: 360 902-9448	Date: 01/20/2022
Agency Approval: Danielle Cruver	Phone: 360-810-0901	Date: 01/20/2022
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 01/20/2022

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.

Sec. 1. Reduces the social tax for nearly all employers in 2022 and 2023 (those in the highest rate class(es) likely won't see a reduction) and reduces the social tax for many employers with 10 or fewer employees for 2023. The Department's unemployment tax computer system (NGTS) will need to be reprogrammed for 2022 and for 2023. The agency will need to reformat the annual tax rate run and will reissue tax rate notices to all taxable employers. Operational staff within UICS will need to be trained on the changes and assist with testing and implementing the changes to NGTS.

Sec. 2. This makes a technical correction. No program or operational impact.

Sec. 3 Current design assesses premiums based on the family and medical leave split, not the employee /employer split. In order to accommodate the appropriation intended to reduce the employee split, considerable technology changes will be necessary. It is unlikely that these changes could be made before April, which is when Q1 premiums are due. This will result in the need to issue refunds to employers who will be assessed the original rate. Expected implementation date is June 30, 2022. An extensive communication effort will also be needed to notify employers of the retroactive change. Due to the retroactive nature of the premium change, it is likely that many employers will pay what they expect rather than what they actually owe based on the changes. This will increase the number of employer refunds processed by the division. Training will be needed to facilitate employee and employer interaction with the customer care team.

All Sections: Project management will be needed to manage the cross-division coordination. Government Relations and Communications will also need to effectively communicate these changes to our customers, stakeholders, and the Legislature.

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 Narrative.

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 Narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
119-2	Unemployment Compensation Administration Account	Federal	391,271	286,815	678,086	354,608	0
22F-1	Family and Medical Leave Insurance Account	State	2,023,322	457,064	2,480,386	0	0
Total \$			2,414,593	743,879	3,158,472	354,608	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.4	6.2	5.3	1.7	
A-Salaries and Wages	271,007	389,858	660,865	181,122	
B-Employee Benefits	108,402	155,943	264,345	72,448	
C-Professional Service Contracts	1,654,180		1,654,180		
E-Goods and Other Services	308,293	93,479	401,772	52,442	
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	72,711	104,599	177,310	48,596	
9-					
Total \$	2,414,593	743,879	3,158,472	354,608	0

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 2022	FY 2023	2021-23	2023-25	2025-27
Communications Consultant 4	62,748	0.2		0.1		
Fiscal Analyst 3	54,108	0.7	1.3	1.0		
Fiscal Analyst 4	59,688	0.3	0.7	0.5		
IT App Developer Senior/Specialist	96,720		0.2	0.1		
IT Project Management Journey	87,732	0.2		0.1		
IT Project Management Expert	106,620	0.4	0.7	0.5		
PFML Specialist 3	59,688	1.0	1.5	1.3		
Tax Specialist 3	51,432	1.4	1.2	1.3	1.2	
Tax Specialist 4	54,108	0.2	0.6	0.4	0.6	
Total FTEs		4.4	6.2	5.3	1.7	0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact**IV. A - Capital Budget Expenditures**

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

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 .

N/A

Cash Receipts Narrative

Unemployment Insurance Impact, Section 1:

This section reduces the flat social cost factor rate for all employers from .75% to .50% for the 2022 rate year, reduces the flat social cost factor rate for all employers from .80% to .70%. Also, for the 2023 rate year, this section also caps the graduated social tax rate for employers who reported 10 or fewer employees on their fourth quarter of 2021 unemployment tax reports at the graduated social tax rate for Rate Class 7. Small employers in Rate Class 1-7 get the graduated social tax rate for their rate class, while small employers in Rate Class 8-40 get the graduated social tax rate for Rate Class 7.

In sum, there will be roughly \$260 million and .6 months of benefits less in the unemployment trust fund as a result of these changes. See the table below:

Projections based on current state				
	CY 2022	CY 2023	CY 2024	CY 2025
Avg. Tax Rate	1.45%	1.56%	1.56%	1.43%
Total Tax Payments	\$1,830.4 million	\$2,046.0 million	\$2,116.9 million	\$1,988.5 million
Trust Fund Balance	\$2,431.9 million	\$3,296.6 million	\$4,142.1 million	\$4,795.9 million
Months of Benefits Available	4.9 months	6.6 months	8.3 months	9.5 months
Projections with SB 5873				
	CY 2022	CY 2023	CY 2024	CY 2025
Avg. Tax Rate	1.30%	1.51%	1.56%	1.43%
Total Tax Payments	\$1,645.8 million	\$1,987.2 million	\$2,112.2 million	\$1,988.5 million
Trust Fund Balance	\$2,245.9 million	\$3,043.3 million	\$3,880.6 million	\$4,527.8 million
Months of Benefits Available	4.6 months	6.0 months	7.7 months	8.9 months
Difference				
	CY 2022	CY 2023	CY 2024	CY 2025
Avg. Tax Rate	-.15%	-.05%	0%	0%
Total Tax Payments	-\$184.6 million	-\$58.8 million	\$0	\$0
Trust Fund Balance	-\$186 million	-\$253.3 million	-\$261.5 million	-\$268.1 million
Months of Benefits Available	-.3 months	-.6 months	-.6 months	-.6 months

For employers with 10 employees or less whose 2022 rates are in Rate Class 7 or above, it is estimated that their average total tax rate is going from 1.28% under current law to 1.21% under SB 5783.

For the purposes of this fiscal note, the effect of the reduction for the calendar year is split equally in order to input into the State Fiscal Year format. E.g., Fiscal year 2023 effect is composed of 50% of CY2022 and 50% 2023.

Paid Family and Medical Leave, Section 3:

This section sets the overall PFML premium rate for 2022 at 0.6 percent. The employer share remains 27.78% of that amount. The employee share, previously set at 73.22%, is set to 42.22% with the remaining 31% paid for

by the state's general fund by appropriation. If funds are not appropriated, the employee share returns to 73.22%.

There is no net impact on trust solvency. The bill lowers the premium liability on employees and replaces that money with an appropriation from the general fund.

Estimated Assessed Premiums

Rate	FY22	FY23	Total
0.6% (current rate structure)	\$604,856,972	\$523,405,428	\$1,128,262,400
SB 5873 Rate Re-Structure	\$400,963,891	\$346,969,096	\$747,932,987
<i>Reduction in PFML Fund</i>	<i>-\$203,893,082</i>	<i>-\$176,436,332</i>	<i>-\$380,329,414</i>
31% Supplemental GFS Revenue	\$203,893,082	\$176,436,332	\$380,329,414
<i>Overall Fund Impact</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

Operating Narrative

It is assumed that costs associated with section 1 will utilize fund 119, and section 3 will utilize fund 22F. Work that affects both sections are split equally among the two fund sources.

Section 1:

Implementation of 2022 unemployment tax rate changes in Sec. 1 will occur immediately upon signing of the bill. The team will hope to have those changes completed and new tax rate notices mailed by the end of February 2022.

Implementation of the 2023 unemployment tax rate changes in Sec. 1 will start after July 1, 2022 and will continue until the completion of the annual tax rate run, which is scheduled to be complete in November/December of 2022.

To reprogram the NGTS computer system for the 2022 and 2023 tax rate year and to redo the 2022 annual tax rate run, the following IT resources will be needed:

For fiscal year 2022:

- Contracted Services Costs – Total of \$56,420
 - IT Developer 290 hours @ \$130 per hour = \$37,700
 - IT Tester 240 hours @ \$78 per hour = 18,720

For fiscal year 2023:

- 0.24 FTE of IT App Developer Senior/ Specialist

ESD anticipates it will receive additional phone and e-mail inquiries related to tax rate notices from employers it will have to field. This will be a one-time expense limited to the 42 days after tax rate notices going out, requiring the following resources:

Fiscal year 2022:

- 1.05 FTE of Tax Specialist 3

ESD also anticipates more time will be spent by staff in the Rates unit when reviewing tax rates, due to the added complications made by the bill. These positions are a result of the extra time per transaction it will take

to review tax rates when employers question their tax rates. Once the 2023 tax rates are released at the end of 2022, employers will ask the Rates unit to have their tax rates reviewed for accuracy. This work will occur throughout 2023. In 2023, and further out into 2024 and 2025, an employer's 2023 tax rate can be retroactively recalculated for various reasons, such as quarterly report amendments being filed by the employer or audit findings made by the agency. Once that recalculation happens, a new 2023 tax rate notice will be sent, which will give the employer another opportunity to request review of their 2023 rate. These will be expenses requiring the following resources through June 2025, as ESD's legal authority to recalculate the 2023 tax rate expires July 1, 2025:

Fiscal year 2022:

- .38 FTE of Tax Specialist 3
- .19 FTE of Tax Specialist 4

Fiscal years 2023 through 2025:

- 1.15 FTE of Tax Specialist 3
- .58 FTE of Tax Specialist 4

Sending new unemployment tax rate notices for 2022 will result in a 1-time mailing cost of \$123,801.65. This will take place in FY 2022.

Section 3:

PFML will need the following one-time resources to work on employer reporting assistance and reconciliation. They will provide customer service and will also host and coordinate webinars for education and outreach.

Fiscal Year 2022

- 1 FTE of PFML Specialist 3

Fiscal Year 2023

- 1.5 FTE of PFML Specialist 3

There will be a one-time cost for a one-page mailer to all o all employers, for an estimated cost of \$117,540.

The following staff will be needed to process employer refunds and book and record transfers manually, for a one-time cost:

Fiscal Year 2022:

- .67 FTE of Fiscal Analyst 3
- .33 FTE of Fiscal Analyst 4

Fiscal Year 2023

- 1.33 FTE of Fiscal Analyst 3
- .67 FTE of Fiscal Analyst 4

Current design assesses premiums based on the family and medical leave split, not the employee/employer split. To accommodate the appropriation intended to reduce the employee split, considerable technology changes will be necessary. It is unlikely that these changes could be made before April, which is when Q1 premiums are due. Expected implementation date is June 30, 2022.

Technological resources required to implement the bill are as follows:

Fiscal Year 2022

- .24 FTE of IT App Developer Journey
- Contracted Services Costs – Total \$1,597,760
 - BA Lead 480 hours at \$172 per hour = \$82,560
 - AX Functional Analyst 800 hours at \$140 per hour = \$112,000
 - Delivery Architect 1,600 hours at \$147 per hour = \$235,200
 - Developers 4,800 hours at \$135 per hour = \$648,000
 - Integration Tester 1,600 hours at \$115 per hour = \$184,000
 - Quality Assurance 3,200 hours at \$105 per hour = \$336,000

Sections 1 and 3 (Costs split equally to fund 119 and fund 22F)

Project management to manage the cross-divisional work team that will implement the rate changes. Work also includes general strategy consulting, including but not limited to interacting with legislative stakeholders regarding ESD's progress on implementing the bill. This work requires the following one-time resources:

Fiscal Year 2022:

- .36 FTE of IT Project Management Expert

Fiscal Year 2023

- .35 FTE of IT Project Management Expert

ESD Communications would need to clearly and ongoingly communicate to employers about immediate and upcoming changes to employer social cost factor rates and rate classes. This effort would require robust communications campaigns, and would use the following one-time resources:

Fiscal Year 2022:

- .2 FTE Communications Consultant 4