

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5084 SB	<b>Title:</b> Self-insured pensions/fund
-----------------------------	--

## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Labor and Industries	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)	(1,268,532)
Department of Labor and Industries	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
<b>Total \$</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>	<b>(1,268,532)</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Labor and Industries	.0	0	0	168,000	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>168,000</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	.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

<b>Prepared by:</b> Anna Minor, OFM	<b>Phone:</b> (360) 790-2951	<b>Date Published:</b> Final
-------------------------------------	---------------------------------	---------------------------------

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5084 SB	<b>Title:</b> Self-insured pensions/fund	<b>Agency:</b> 090-Office of State Treasurer
-----------------------------	--	--

## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### 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.

<b>Legislative Contact:</b> Susan Jones	<b>Phone:</b> 360-786-7404	<b>Date:</b> 01/05/2023
<b>Agency Preparation:</b> Dan Mason	<b>Phone:</b> (360) 902-8990	<b>Date:</b> 01/09/2023
<b>Agency Approval:</b> Dan Mason	<b>Phone:</b> (360) 902-8990	<b>Date:</b> 01/09/2023
<b>OFM Review:</b> Amy Hatfield	<b>Phone:</b> (360) 000-0000	<b>Date:</b> 01/10/2023

Part II: Narrative Explanation

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

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

SB 5084 creates the self-insurance reserve fund and allows the fund to retain its earnings from investments.

In addition, this bill directs the earnings from investments for the second injury fund to itself, instead of to the general fund.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

Historical Data:

General Fund - Recipient of Earnings from Investments from Second Injury Fund (fund 883)	
Fund 883 Earnings Credited to the General Fund	
FY 23 through November 2022	\$731,176.52
FY 22	\$451,542.37
FY 21	\$484,599.90
FY 20	\$813,988.04
FY 19	\$609,741.13

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals 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**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5084 SB	<b>Title:</b> Self-insured pensions/fund	<b>Agency:</b> 235-Department of Labor and Industries
-----------------------------	--	---

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Fund-State 001-1	(634,266)	(634,266)	(1,268,532)	(1,268,532)	(1,268,532)
<b>Total \$</b>	(634,266)	(634,266)	(1,268,532)	(1,268,532)	(1,268,532)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
<b>Account</b>					
Accident Account-State 608-1	84,000	0	84,000	0	0
Medical Aid Account-State 609-1	84,000	0	84,000	0	0
<b>Total \$</b>	168,000	0	168,000	0	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: Susan Jones	Phone: 360-786-7404	Date: 01/05/2023
Agency Preparation: Bobby Kendall	Phone: 902-6980	Date: 01/10/2023
Agency Approval: Trent Howard	Phone: 360-902-6698	Date: 01/10/2023
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 01/11/2023

Part II: Narrative Explanation

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

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

See attached.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
608-1	Accident Account	State	84,000	0	84,000	0	0
609-1	Medical Aid Account	State	84,000	0	84,000	0	0
Total \$			168,000	0	168,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	168,000		168,000		
E-Goods and Other Services					
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 \$	168,000	0	168,000	0	0

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals 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

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

## Part V: New Rule Making Required

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*



## **Part II: Explanation**

This bill adds the Second Injury Fund, fund 883, to the list of funds that receive interest income allocation from the treasury income account, effective immediately. Effective 7/1/2025, the bill creates a separate fund for self-insured pensions, second injury assessments, and allows the assets of the new fund to be invested by the Washington State Investment Board. The new fund would be added to the list of funds for which the department must prepare financial statements on both a Generally Accepted Accounting Principles (GAAP) and Statutory Accounting Principles (SAP) basis.

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

**Section 1:** Establishes a new fund called the self-insurance reserve fund.

**Section 2:** Adds Second Injury Fund to the list of funds that receive an interest allocation from the treasury income account. Interest income that is generated by assets in the second injury fund will now be sent back to the Second Injury Fund, not to the General Fund. Section 15 of this bill sets an expiration date of July 1, 2024 for section 2.

**Section 3:** Has the same language as section 2, but omits the ambulance transport fund from the accounts that are exempt in the process to distribute earnings from the treasury income account to the general fund. This section takes effect July 1, 2024.

**Section 9:** Authorizes the state investment board to invest the assets of the new Self-Insurance Reserve Fund, which includes Second Injury Fund assessment assets.

### **II. B – Cash Receipt Impact**

This bill impacts revenue to General Fund-State effective July 1, 2023. The current estimate is as follows:

- Effective July 1, 2023 there would be an increase in annual revenue due to adding the Second Injury Fund to the list of funds that receive interest income allocation from the treasury income account, with a corresponding decrease in the state General Fund.

- In FY22, the Second Injury Fund, non-appropriated fund 883, transferred \$452,000 in interest to General Fund-State.
- During the first quarter of FY23, fund 883 transferred \$372,312 in interest to General Fund-State
- The estimate for interest that will now stay in fund 883 and reduce General Fund-State revenue is determined by the quarterly average for the fund from FY19 to FY23 to date:

		Q1	Q2	Q3	Q4	Total Interest Revenue
FY19	Actual	129,216	120,669	151,519	208,338	609,741
FY20	Actual	241,770	177,111	187,773	207,334	813,988
FY21	Actual	151,815	115,741	114,722	102,322	484,600
FY22	Actual	80,474	89,637	108,787	172,644	451,542
FY23	Actual/Estimate	372,312	125,789	140,700	172,659	811,461
FY24	Estimate	195,117	125,789	140,700	172,659	634,266
FY25 and on	Estimate	195,117	125,789	140,700	172,659	634,266

**New Self-Insurance Reserve Fund:** Effective July 1, 2025 this bill would enable investment income to be earned on assets for self-insured second injury pensions and deposited into the newly created Self-Insurance Reserve fund. The amount of revenue with this change is indeterminate at this time. A range is provided below.

Assuming an average fund balance between \$30 million and \$100 million in the Second Injury Fund and a 5% annual weighted return, annual revenue for the new fund should be between \$1.5 million and \$5 million per year.

- Low Estimate: \$30,000,000 assets X 0.05 return = \$1,500,000 investment income per year
- High Estimate: \$100,000,000 assets X 0.05 return = \$5,000,000 investment income per year

## **II. C – Expenditures**

This proposed bill increases expenditures to the Accident Fund, 608 and the Medical Aid Fund, 609. The following assumptions were used to estimate the resources requested to implement this bill.

### **Information Technology**

Contract developers will be required to perform necessary code changes to the Self Insurance Mainframe and Accounts Receivable & Collections (ARC) system. A total of \$167,820 is needed in the 2023-25 biennium for all information technology changes. This includes:

- Contractor costs - \$167,820 is needed for 1,280 contractor hours

## **Part IV: Capital Budget Impact**

None.

## **Part V: New Rule Making Required**

None.