

Multiple Agency Fiscal Note Summary

Bill Number: 5059 SB	Title: Prejudgment interest
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts	Fiscal note not available					
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

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
Administrative Office of the Courts	Fiscal note not available											
Office of Attorney General	Fiscal note not available											
Department of Enterprise Services	.0	0	0	1,500,000	.0	0	0	1,500,000	.0	0	0	1,500,000
Total \$	0.0	0	0	1,500,000	0.0	0	0	1,500,000	0.0	0	0	1,500,000

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	Fiscal note not available								
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Administrative Office of the Courts	Fiscal note not available								
Office of Attorney General	Fiscal note not available								
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	Fiscal note not available								
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

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Individual State Agency Fiscal Note

Bill Number: 5059 SB	Title: Prejudgment interest	Agency: 179-Department of Enterprise Services
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
Liability Account-Non-Appropriated 547-6	750,000	750,000	1,500,000	1,500,000	1,500,000
Total \$	750,000	750,000	1,500,000	1,500,000	1,500,000

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.

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Agency Approval: Ashley Howard	Phone: (360) 407-8159	Date: 01/20/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/20/2023

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.

Section 1(3) amends RCW 4.56.110 and 2019 c 371 s 1 as follows:

1(3)(a)(i) requires judgements found on the tortious conduct of a “public agency” shall accrue interest from the date the cause of action occurred.

1(3)(a)(ii) states judgements founded on tortious conduct that occurred while the plaintiff was a minor shall bear interest from the date the action occurred, or when the minor reaches the age of 18, whichever is earlier.

1(3)(b) states that judgements against entities that are not a “public agency” must also accrue interest from when the action occurred. This has no fiscal impact on DES.

1(3)(c) states that in accordance with (a) and (b) of subsection 3, any interest incurred prior to the date of judgement being entered applies only to arbitration awards and judgments after the trial. All other judgements founded on tortious conduct bear interest from date of entry.

Section 2 adds a new section repealing RCW 4.56.111 and 2010 c 149 s 2.

While the change would have little impact on the policies and operations of Department of Enterprise Services, Office of Risk Management, adding accrued interest back to the time of loss or injury on the specified claims would increase total tort claim payment costs.

Office of Risk Management policies and operations allow for prompt payment of claims after judgment is entered, meaning interest costs are currently avoided in the vast majority of claims. In Fiscal Year 21 and Fiscal Year 22 there were nine (9) verdicts or arbitration awards paid by the state which would be subject to pre-judgment interest under this bill. Changing the accrued interest date back to time of loss would add on average, 51.5 months of accrued interest to claim payments, as this is the average length from date of loss to payment (or in the juvenile plaintiff’s case, from the date they turned 18 or filed their claim).

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.

Claims payouts and accrued interest are paid from the Self Insurance Liability Account (SILA). The account is funded from premiums paid by state agencies, boards and commissions. The account does not have capacity to absorb these new costs and premiums would need to be increased to cover them.

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.

Changing the accrued interest date back to time of loss would add, on average, 4 years and 4 months of accrued interest to eligible claim payments, as this is the average length from date of loss to payment (based on an average of eligible claims made in fiscal-year 2020 and 2022).

Using fiscal-year 2020 & 2021:

- o the average length from date of loss to payment is 51.5 months (about 4 year and 4 months)
- o there are 9 verdicts or arbitrations that would be affected by this bill per biennium
- o the average claim payment is \$1,761,873

Interest rates change monthly and range from a low of 2.035% in June 2021 up to 7.297% in August 2006.

Applying the average interest rate for FY21-FY22 of 2.238% to the average verdict/award cost of \$1,761,873 for the average time period of 51.5 months or 4.4 years equals an average interest cost of \$174,359 on each case, or a total of \$1,569,231 for all nine cases, assuming future biennia are similar to the past biennium.

Assuming future biennia are similar to the past biennium, the cost of this bill would be approximately \$1.5 Million per biennium, or 750,000 per year.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
547-6	Liability Account	Non-Appropriated	750,000	750,000	1,500,000	1,500,000	1,500,000
Total \$			750,000	750,000	1,500,000	1,500,000	1,500,000

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					
E-Goods and Other Services	750,000	750,000	1,500,000	1,500,000	1,500,000
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 \$	750,000	750,000	1,500,000	1,500,000	1,500,000

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.