

Multiple Agency Fiscal Note Summary

Bill Number: 1566 HB	Title: Vacation leave accrual
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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 Financial Management	0	0	14,000	0	0	0	0	0	0
Total \$	0	0	14,000	0	0	0	0	0	0

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 Financial Management	.0	0	0	14,000	.0	0	0	0	.0	0	0	0
Department of Retirement Systems	.0	0	0	0	.0	0	0	0	.0	0	0	0
Western Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
SWF Statewide Fiscal Note - OFM	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	0.0	0	0	14,000	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Western Washington University	.0	0	0	.0	0	0	.0	0	0
SWF Statewide Fiscal Note - OFM	.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

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Revised 3/ 3/2023
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Individual State Agency Fiscal Note

Bill Number: 1566 HB	Title: Vacation leave accrual	Agency: 105-Office of Financial Management
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Statewide Information Tech System Maintenance & Operations Revolving Account-Non-Appropriated 472-6	14,000		14,000		
Total \$	14,000		14,000		

Estimated Operating Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
Statewide Information Tech System Maintenance & Operations Revolving Account-Non-Appropriated 472-6	14,000	0	14,000	0	0
Total \$	14,000	0	14,000	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: Kelly Leonard	Phone: 360-786-7147	Date: 02/01/2023
Agency Preparation: Julie Pettit	Phone: 3608902669	Date: 02/06/2023
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/06/2023

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 & 2: Amends RCW 43.01.040 (Vacations – Computation and Accrual – Transfer – Statement of necessity required for extension of unused leave) and RCW 41.01.044 (Vacations – Accumulation of leave in excess of two hundred forty hours authorized without statement of necessity – Requirements of statement of necessity) by increasing the maximum vacation leave accrual from 240 hours to 280 hours.

Section3: Amends RCW 41.40.010 (Washington Public Employees' Retirement System - Definitions) to remove the reference to RCW 43.01.041 (Accrued Vacation Leave – Payment Upon Termination of Employment) and RCW 43.01.044 which would result in remuneration for unused annual leave at retirement up to 240 hours.

Section 4: Amends RCW 43.43.120 (Patrol Retirement System - Definitions) to allow for lump sum payments of unused accumulated vacation and annual leave in excess of 240 hours, plus hours earned since the member's anniversary date.

Section 5: Amends RCW 43.01.041 to limit accrued vacation leave payout upon termination of employment to 240 hours.

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.

OFM distributes statewide costs incurred in fund 472 Statewide Information Tech System M&O Revolving account through the central service model. Assumed statewide costs incurred in the account would be matched by an increase in the OFM Enterprise System Fee.

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.

This requires civil service rule changes, collective bargaining, and changes to the payroll system (Human Resource Management System - HRMS). Statewide Human Resources will be required to bargain impacts, amend civil service rules, oversee any agency communications and updates to HRMS/MyPortal user procedures, and assist with OFM IT staff to implement the changes within HRMS. OFM SHR can accomplish these tasks within current resources and doesn't have a fiscal impact.

The increase in vacation leave accrual limit at anniversary date for state employees from 240 to 280 hours in Sec 2 of the legislation will require modifications to HRMS to change the maximum vacation leave allowed at anniversary date. Information technology will need to contract an Advanced Business Application Programming (ABAP) developer to make modifications to HRMS. It is estimated at 80 hours of contract ABAP developer time at \$171.00 per hour for a one-time cost of \$13,680.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
472-6	Statewide Information Tech System Maintenance & Operations Revolving Account	Non-Appropriated	14,000	0	14,000	0	0
Total \$			14,000	0	14,000	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	14,000		14,000		
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 \$	14,000	0	14,000	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.

Individual State Agency Fiscal Note

Bill Number: 1566 HB	Title: Vacation leave accrual	Agency: 124-Department of Retirement Systems
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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: Kelly Leonard	Phone: 360-786-7147	Date: 02/01/2023
Agency Preparation: Mike Ricchio	Phone: 360-664-7227	Date: 02/06/2023
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 02/06/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/06/2023

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.

This bill modifies various statutes to increase the vacation leave accrual for state employees, from 240 to 280 hours. Amounts accrued in excess of 240 hours would continue to be excluded from a member's benefit calculation. This change does not have a cost impact on the Department of Retirement Systems (DRS) as there is already a process in place for an employer to report leave cash outs above 240 hours to DRS.

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.

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

Bill Number: 1566 HB	Title: Vacation leave accrual	Agency: 380-Western Washington University
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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: Kelly Leonard	Phone: 360-786-7147	Date: 02/01/2023
Agency Preparation: Timothy Davenport	Phone: 3606503257	Date: 03/02/2023
Agency Approval: Faye Gallant	Phone: 3606504762	Date: 03/02/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 03/02/2023

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.

WWU requested an unsolicited fiscal note for HB 1566 (this proposed legislation would increase the vacation leave accrual cap from 240 to 280 hours).

A similar bill (HB 1992) was proposed in the 2022 legislation session. Various costing methodologies were employed last year to estimate the dollar amount of the additional 20 VL hours that presumably could be cashed out upon separation or retirement. For example, WWU estimated \$115K based on actual separations for employees who had vacation balances above the 240 cap in FY21.

Upon review, HB 1992 does not appear to provide for buyout of unused VL exceeding 240 hours (i.e., it only increases the accrual cap to 280 hours) whereas HB 1566 Section 5 specifically adds a VL buyout limitation of up to 240 hours.

HB 1992 Section 6 (21)(a) references lump sum payments for annual leave in excess of 240 hours but perhaps that pertains to settlement payments for same (this same language is included in HB 1566):

"Salary," for members commissioned prior to July 1, 2001, shall exclude any overtime earnings related to RCW 47.46.040, or any voluntary overtime, earned on or after July 1, 2001, and prior to July 1, 2017, and lump sum payments for unused accumulated vacation or annual leave in excess of 240 hours, plus hours earned since the member's anniversary date.

Based on the analysis above, WWU will submit this fiscal note as "no fiscal impact".

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.

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

Bill Number: 1566 HB	Title: Vacation leave accrual	Agency: SWF-SWF Statewide Fiscal Note - OFM
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. 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.
- 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: Kelly Leonard	Phone: 360-786-7147	Date: 02/01/2023
Agency Preparation: Kathy Cody	Phone: 360-480-7237	Date: 02/13/2023
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 02/13/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/13/2023

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 & 2: Amends RCW 43.01.040 (Vacations – Computation and Accrual – Transfer – Statement of necessity required for extension of unused leave) and RCW 41.01.044 (Vacations – Accumulation of leave in excess of two hundred forty hours authorized without statement of necessity – Requirements of statement of necessity) by increasing the maximum vacation leave accrual from 240 hours to 280 hours.

Section 3: Amends RCW 41.40.010 (Washington Public Employees' Retirement System - Definitions) to remove the reference to RCW 43.01.041 (Accrued Vacation Leave – Payment Upon Termination of Employment) and RCW 43.01.044 which would result in remuneration for unused annual leave at retirement up to 240 hours.

Section 4: Amends RCW 43.43.120 (Patrol Retirement System - Definitions) for members commissioned prior to July 1, 2001, and excludes lump sum payments of unused accumulated vacation and annual leave in excess of 240 hours, plus hours earned since the member's anniversary date.

Section 5: Amends RCW 43.01.041 to limit accrued vacation leave payout upon termination of employment to 240 hours.

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.

None

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.

OFM cannot determine how much leave employees will accrue and therefore the costs associated with this bill are indeterminate.

- Section 1 allows employees to increase their overall leave balances from 240 to 280.
- Section 2 allows employees to exceed 280 hours of vacation leave by filing a statement of necessity.
- Section 4: For State Patrol members commissioned prior to July 1, 2001, this section excludes the following from the definition of salary;
 - Lump sum payments of unused accumulated vacation/annual leave more than 240 hours.
 - Hours earned since the member's anniversary date.
- Section 5 of the bill specifies that the payout on separation shall be limited to 240 hours.

In FY22, the amount paid out for hours over 240 was approximately \$4,224,000, out of total cash-out payments of approximately \$51,514,000. Based on FY22 data, this bill would have eliminated \$4,224,000 of annual leave payouts. However, if employees choose to use excess leave (greater than 240 hours) prior to separating, these savings would be reduced or eliminated.

Currently, employees have the opportunity to cash out their excess leave balances. OFM assumes if this bill becomes law, that employees will take vacation leave prior to separation to ensure they fall below the 240-hour limit. This fiscal note doesn't include the potential fiscal impacts to agencies when employees choose to use their excess leave before separation.

Fiscal Year	Hours Forfeited
2018	35,908
2019	63,887
2020	55,500
2021	75,718
2022	74,406

Data on leave forfeitures is shown in the table above. OFM assumes that by increasing the maximum leave that an employee may accrue and carry over each year (on the employee's anniversary date), forfeited annual leave hours may decrease. According to OFM's State Human Resources Workforce Data and Trends, the median employee rate of pay for 2022 was \$72,372/year. Based on the medium rate of pay, the excess vacation hours are worth approximately \$2.5 million each year, without including the cost of benefits such as employer social security and retirement system contributions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

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

III. B - Expenditures by Object Or Purpose

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

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

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.