

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5176 S SB	<b>Title:</b> Employee-owned coop UI
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## Estimated Cash Receipts

NONE

## 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
Department of Revenue	.0	8,800	8,800	26,400	.0	0	0	0	.0	0	0	0
Employment Security Department	1.4	0	0	794,001	.3	0	0	84,310	.3	0	0	84,310
Total \$	1.4	8,800	8,800	820,401	0.3	0	0	84,310	0.3	0	0	84,310

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.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

<b>Prepared by:</b> Anna Minor, OFM	<b>Phone:</b> (360) 790-2951	<b>Date Published:</b> Final 3/31/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5176 S SB	<b>Title:</b> Employee-owned coop UI	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
<b>Account</b>					
GF-STATE-State 001-1	8,800		8,800		
Business License Account-State 03N-1	17,600		17,600		
<b>Total \$</b>	26,400		26,400		

**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: 60-786-7404	Date: 02/01/2023
Agency Preparation: Sara del Moral	Phone: 60-534-1525	Date: 03/31/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/31/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/31/2023

Request # 5176-1-1

## 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.*

Note: This fiscal note reflects language SSB 5176, 2023 Legislative Session.

#### CURRENT LAW:

Under current law, the corporate officers of employee cooperative corporations are automatically exempt from unemployment coverage unless the corporation opts them in, and unemployment insurance covers officers of cooperative associations and limited cooperative associations with no opportunity for the association to opt them out of coverage.

#### PROPOSAL:

The proposal exempts officers of employee cooperative corporations, cooperative associations, and limited cooperative associations from certain restrictions on corporate officers in the unemployment insurance (UI) system, thereby allowing those officers to be eligible for UI benefits in certain circumstances.

#### EFFECTIVE DATE:

This bill takes effect on January 1, 2024.

### 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.*

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

### 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.*

#### ASSUMPTIONS:

- The department will assist the Employment Security Department in identifying employee cooperative businesses whose officers this legislation impacts.

#### FIRST YEAR COSTS:

The department will incur total costs of \$26,400 in fiscal year 2024. These costs include:

Object Costs - \$26,400.

- Contract computer system programming for data retrieval and updates to the business licensing system for new entity types.

#### SECOND YEAR COSTS:

The department will not incur any costs in fiscal year 2025.

#### ONGOING COSTS:

There are no ongoing costs.

### Part III: Expenditure Detail

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
C-Professional Service Contracts	26,400		26,400		
<b>Total \$</b>	<b>\$26,400</b>		<b>\$26,400</b>		

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

#### III. C - 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

### Part V: New Rule Making Required

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5176 S SB	<b>Title:</b> Employee-owned coop UI	<b>Agency:</b> 540-Employment Security Department
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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
FTE Staff Years	2.4	0.3	1.4	0.3	0.3
<b>Account</b>					
Unemployment Compensation Administration Account-Federal 119-2	751,846	42,155	794,001	84,310	84,310
<b>Total \$</b>	751,846	42,155	794,001	84,310	84,310

### 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: 02/01/2023
Agency Preparation: Lesley Carpenter	Phone: 360 902-9404	Date: 02/08/2023
Agency Approval: Lisa Henderson	Phone: 360-902-9291	Date: 02/08/2023
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 02/09/2023

## 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.*

Under current law, the corporate officers of employee cooperative corporations are automatically exempt from unemployment coverage unless the corporation opts them in, and the officers of cooperative associations and limited cooperative associations are covered by unemployment insurance with no opportunity for the association to opt them out of coverage.

SB 5176 provided for automatic unemployment coverage for officers of employee coops with a new opt-out process.

SSB 5176 removes the change to the opt-in/opt-out process for officers of employee cooperatives in SB 5176. The bill states that officers of employee cooperative corporations, cooperative associations, and limited cooperative associations, unlike corporate officers of typical for-profit corporations, can count as unemployed even if the officer owns ten percent or more of the business or is a family member of an officer who owns ten percent or more of the business. Additionally, officers of employee cooperative entities can be considered unemployed if they are only acting as an officer for the business and not doing any other work activities.

Sec. 1 expands unemployment to officers of (1) employee cooperative corporations, (2) cooperative associations, and (3) limited cooperative associations whose only business activity is acting as an officer of the entity. Additionally, these officers, unlike regular corporate officers, can be considered unemployed even if they own ten percent or more of the entity or have a family member who owns ten percent or more of the entity.

Sec. 2 (New section) Standard unemployment insurance conformity clause.

Sec. 3 (New section) Effective date.

### 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.*

Please see attached Expenditure Narrative

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
119-2	Unemployment Compensation Administration Account	Federal	751,846	42,155	794,001	84,310	84,310
<b>Total \$</b>			751,846	42,155	794,001	84,310	84,310

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.4	0.3	1.4	0.3	0.3
A-Salaries and Wages	201,117	22,485	223,602	44,970	44,970
B-Employee Benefits	80,447	8,994	89,441	17,988	17,988
C-Professional Service Contracts	288,942		288,942		
E-Goods and Other Services	126,360	4,545	130,905	9,090	9,090
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	54,980	6,131	61,111	12,262	12,262
9-					
<b>Total \$</b>	<b>751,846</b>	<b>42,155</b>	<b>794,001</b>	<b>84,310</b>	<b>84,310</b>

**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 2024	FY 2025	2023-25	2025-27	2027-29
COMMUNICATIONS CONSULTANT 4	64,788	0.1		0.1		
EMPLOYMENT SECURITY PROGRAM COORDINATOR 3	61,632	0.1	0.1	0.1	0.1	0.1
IT BUSINESS ANALYST - JOURNEY	86,268	0.5		0.3		
IT BUSINESS ANALYST - SENIOR/SPECIALIST	95,100	0.1		0.1		
IT PROJECT MANAGEMENT - SENIOR/SPECIALIST	99,864	0.2		0.1		
IT QUALITY ASSURANCE - JOURNEY	86,268	0.3		0.2		
MANAGEMENT ANALYST 3	61,632	0.4		0.2		
MANAGEMENT ANALYST 5	78,900	0.4	0.2	0.3	0.2	0.2
WMS BAND 2	98,088	0.3		0.2		
<b>Total FTEs</b>		<b>2.4</b>	<b>0.3</b>	<b>1.4</b>	<b>0.3</b>	<b>0.3</b>

**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.*

SSB 5176 will require major rulemaking.

Sec 1: WAC 192-310-190 will need to be amended to adjust when an officer of employee cooperative businesses count as unemployed. WAC 192-300-170 and WAC 192-310-190 will need to be updated to reflect the bill's treatment of officers of employee cooperative businesses as different from officers of other corporations.



## **Expenditure Impact Narrative**

SB 5176 provided for automatic unemployment coverage for officers of employee coops with a new opt-out process. SSB 5176 removes the change to the opt-in/opt-out process for officers of employee cooperatives in. SSB 5176 states that officers of employee cooperative corporations, cooperative associations, and limited cooperative associations, unlike corporate officers of typical for-profit corporations, can count as unemployed even if the officer owns ten percent or more of the business or is a family member of an officer who owns ten percent or more of the business. Additionally, officers of employee cooperative entities can be considered unemployed if they are only acting as an officer for the business and not doing any other work activities.

To implement this bill the following needs to occur in fiscal year 2024:

- Major rulemaking and policy work - 6 months
- Update the Next Generation Tax System (NGTS) and Employer Account Management System (EAMS)
- Modifications to internal technology systems
- Update Employment Security Department (ESD) websites and email communications
- Update employer tax system by creating an additional classification
- Update training and reference materials
- Staff Training

Employment Security Department (ESD) must update the Next Generation Tax System (NGTS) and the Employer Account Management System (EAMS) to allow for identification and differential treatment of employee cooperative corporations.

SB 5176 will require updates to the employer tax system by creating an additional classification for employee-owned cooperatives.

While the NGTS system is being updated, the training unit can create curricula to be used to train staff.

Communications will need to update websites and customer service deliverables.

## **One Time Cost**

Rulemaking and Policy related cost (one time cost)

- Major rulemaking cost = \$90,000

Information Technology (IT) Related Contract Costs (one-time cost):

- Fast contract – Code and configure changes to NGTS
  - FY24 (1200 hours\*\$210 per hour = \$252,000)
- Application Developer – update Registration and report updates, add new business structure type, update graphical user interface, and tax application programming interface, update structure type to federal report, and update logic for tax accounting integration with the Employer Account Management System (EAMS)
  - FY24 (237 hours\*\$109 per hour = \$25,833)
- Quality Assurance – Test and validate NGTS
  - FY24 (161 hours\*69 per hour = \$11,109)

Total IT Related Contract Cost during FY2024: \$252,000 + \$25,833 + \$11,109 = \$288,942

#### Information Technology (IT) Related Staff Cost (one-time cost)

- Management Analyst 3 - Tests processes and deliverables to ensure they align with business need
  - FY24 (0.4 FTE = \$48,475)
- IT Business Analyst - Journey - gather detailed scope/requirements of the work desired by leading discussions with stakeholders and capturing their inputs and needs. Consulting and specification updates to rates and registration, update structure type specifications and User Acceptance Testing (UAT) coordination
  - FY24 (0.5 FTE = \$81,280)
- IT Business Analyst - Senior Specialist - work on adding new business structure type, update specifications and User Acceptance Testing (UAT) coordination for Employer Account Management System (EAMS)
  - FY24 (0.1 FTE = \$17,740)
- IT Quality Assurance – Journey – validation of expected changes to rates and registration, Employer Account Management System (EAMS), federal reports, and Tax and Wage reports
  - FY24 (0.3 FTE = \$48,767)

Total IT Related Staff Costs during FY2024: \$48,475 + \$81,280 + \$17,740 + \$48,767 = \$196,262

#### Product Management Related Staff Cost (one-time cost)

Product Management engagement is needed due to the impacts on the employer tax system. The following staff are needed to update the system to create an additional classification for the type of business being identified in SB 5176 which will require several project pieces that need cross-team support and engagement that Project Management can assist with.

- Management Analyst 5
  - FY24 (0.2 FTE = \$30,037)
- WMS2
  - FY24 (0.3 FTE = \$54,722)
- IT Project Management – Senior Specialist
  - FY24 (0.2 FTE = \$37,079)

Total Product Management Related Staff Cost during FY2024: \$30,037 + \$54,722 + \$37,079 = \$121,838

#### Communications Related Staff Cost (one-time cost)

- Communications Consultant 4 – execute medium communications plan, work on execution for engagement of GovDelivery campaign, medium outreach campaign, postal mail campaign, small social media campaign, and webinar planning, copying, writing, and editing for creative design support, and content development and publication of new webpage and resources
  - FY24 (0.1 FTE = \$12,649)

#### Claims Center Cost (one-time cost)

Staff will need to develop and participate in training for the new process. Development of training will involve one employee and will take 8 hours. One staff member will spend 12 hours delivering the training. 97 staff members will participate in the training for a total of 194 training hours. These costs can be absorbed with existing resources.

Total One-Time Cost for FY2024: \$90,000 + \$288,942 + \$196,262 + \$121,838 + \$12,649 = \$709,691

## Ongoing Cost

### Communications Related Staff Cost (ongoing cost)

Communications will work on execution for engagement of GovDelivery campaign, medium outreach campaign, postal mail campaign, small social media campaign, and webinar planning, copying, writing, and editing for creative design support, and content development and publication of new webpage and resources. These cost can be absorbed with existing resources.

### Product Management Related Cost (ongoing)

- Management Analyst 5 – review and understand impact and recommend any changes
  - FY24 and ongoing (0.2 FTE = \$30,037)

### Claims Center Cost (ongoing)

- Employment Security Program Coordinator 3 – work with Department of Revenue (DOR) and Secretary of State (SOS) to Identify Employee Cooperatives, Cooperative Associations, Limited Cooperative Associations; Create Letter for employers to informing of requirements for cooperative officers.
  - FY24 and ongoing (0.1 FTE = \$12,118)

Total Ongoing Cost for FY24 and ongoing:  $\$30,037 + \$12,118 = \$42,155$

Total Cost for FY2024:  $\$709,691 + \$42,155 = \$751,846$

Total Cost for FY2025 and ongoing:  $\$42,155$