

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1975 HB	<b>Title:</b> Unemployment overpayments	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.
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### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	4.1	2.1	0.0	0.0
<b>Account</b>					
Unemployment Compensation Administration Account-Federal 119-2	0	960,903	960,903	0	0
<b>Total \$</b>	0	960,903	960,903	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.

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## 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.*

To provide relief to individuals during the COVID-19 Pandemic, the Employment Security Department (ESD) requests to modify RCW 50.20.190. This Agency Requested Legislation (ARL) defers the department's requirement to charge interest on overpayment assessments for benefits unless the agency determines the individual was ineligible to receive those benefits due to misrepresentation or fraud, until January 1, 2025.

Section 1 adds Section 6(b) to RCW 50.20.190, deferring interest accrual on overpayment assessments for benefits paid for the week beginning February 2, 2020 through the week ending September 4, 2020 until January 1, 2025, unless the overpayment is a result of a determination by the department that the individual was disqualified from receiving those benefits due to misrepresentation or fraud. The agency is authorized to either apply any previously paid interest to either a principal balance or refunded to the individual at the agency's discretion. To Implement this Section, ESD will convene a working group to define the technical changes needed to the software system that manages unemployment accounts. The group will also define required reporting generated from the system for stakeholders.

Section 2 makes it clear that the bill is retroactive to February 2, 2020.

### 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.*

Indeterminant. 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.*

To Implement this bill, the Employment Security Department (ESD) will convene a working group to define the technical changes needed to the software system that manages unemployment accounts. The group will also define required reporting generated from the system for stakeholders.

Employment Security anticipates utilizing the Cares Act Pandemic Unemployment Assistance overpayment funding to implement this bill.

#### Cost Assumptions:

This bill will result in less overall litigation for AGO, and that AGO will not incur increased cost.

Operational Unemployment Insurance staff will charge to their existing funds as they receive training and updates concerning this legislation and are therefore not included in this estimate.

This project will take 6 months to complete.

The implementation will be completed by existing staff, except for contracted application developer work.

#### Agency one-time Costs:

Product, Planning and Performance Division will oversee technical configuration of the project, and ensure all affected stakeholders are included.

IT Policy & Planning – Manager; Act as a Product Manager, overseeing the total scope of the project. (FY25: 0.3 FTE, \$71,135)

IT Project Management – Senior / Specialist; Act as a Project Manager, overseeing the technical details and coordinating

among technical teams. (FY25: 0.2 FTE, \$43,370)

Washington Management Services – Band 2; Act as an Organizational Change Manager, ensuring affected leaders understand the system change and that any support required is provided. (FY25: 0.1 FTE, \$19,498)

Product, Planning and Performance total one-time costs:

FY25: \$71,135 + \$43,370 + \$19,498 = \$134,003

Executive Services Division will support minor rulemaking concerning RCW 50.20.190.

Tax Policy Specialist – 4; Will support minor rulemaking, will coordinate with the Attorney Generals Office, and will support the agency's responses to questions from stakeholders. (FY25: 0.2 FTE, \$39,177)

Communications Consultant – 4; Will generate internal and external communications to affected stakeholders as well as those signed up for unemployment insurance rule-making notifications. (FY25: 0.1 FTE, \$14,718)

Communications Consultant – 3; Will generate internal and external communications to affected stakeholders as well as those signed up for unemployment insurance rule-making notifications. (FY25: 0.1 FTE, \$13,225)

The cost of minor rulemaking is \$30,000.

Executive Services Division total one-time costs:

FY25: \$39,177 + \$14,718 + \$13,225 + \$30,000 = \$97,120

Information Technology Services Division will incorporate the changes to the unemployment software and will generate reports for leadership and stakeholders.

IT App Development – Senior / Specialist; Will write the code changes to set the interest to zero for the affected time for affected accounts. (FY25: 0.1 FTE, \$21,684)

IT Business Analyst – Senior / Specialist; Will define specific requirements and coordinate between technical and non-technical staff. (FY25: 0.5 FTE, \$103,685)

IT Quality Assurance – Senior / Specialist; Will write the testing criteria for User Acceptance to ensure the technical change is successful, incorporating any observations into required revisions. (FY25: 0.3 FTE, \$62,211)

Contracted Services: Due to the complexity of the unemployment software, ESD will contract with an existing vendor for additional application developer support.

Contracted App Developer – Will work with ESD application developer to write the actual coding changes and create required reporting queries and output. (960 Hours at \$210 per hour = \$201,600)

Information Technology Services Division total one-time costs:

FY25: \$21,684 + \$103,685 + \$62,211 + \$201,600 = \$389,190

Unemployment Insurance Customer Support Division will oversee the impact to collections, create training materials for call center staff, complete User Acceptance Training to validate the proposed changes.

Management Analyst – 3; Will complete the User Acceptance Training created by the IT Quality Assurance staff to ensure proposed changes are accurate and stable. (FY25: 1.4 FTE, \$197,383)

Washington Management Services – Band 2; Will oversee the collections team that processes refunds for affected accounts, as well as coordinate with operational staff for training, communication, and procedure development. (FY25: 0.5 FTE, \$97,490)

Employment Security Program Coordinator – 3; will prepare and process any refunds and will work to update collection status for affected accounts. (FY25: 0.2 FTE, \$28,198)

Management Analyst – 5; Will support specific reporting on this change, as well as impacts to existing reporting to external entities. (FY25: 0.1 FTE, \$17,529)

Unemployment Insurance Customer Support Division total one-time costs:

FY25: \$197,383 + \$97,490 + \$28,198 + \$17,529 = \$340,600

Total Agency one-time costs:

FY25: \$134,003 + \$97,120 + \$389,180 + \$340,600 = \$960,903

## 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	0	960,903	960,903	0	0
<b>Total \$</b>			0	960,903	960,903	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		4.1	2.1		
A-Salaries and Wages		398,920	398,920		
B-Employee Benefits		159,568	159,568		
C-Professional Service Contracts		201,600	201,600		
E-Goods and Other Services		92,115	92,115		
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		108,700	108,700		
9-					
<b>Total \$</b>	0	960,903	960,903	0	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 2024	FY 2025	2023-25	2025-27	2027-29
Communication Consultant 3	67,717		0.1	0.1		
Communication Consultant 4	76,612		0.1	0.1		
Employment Security Program Coordinator 3	72,923		0.2	0.1		
IT App Development - Senior/Specialist	118,094		0.1	0.1		
IT Business Analyst - Senior/Specialist	112,450		0.5	0.3		
IT Policy & Planning - Manager	130,163		0.3	0.2		
IT Project Management - Senior/Specialist	118,094		0.2	0.1		
IT Quality Assurance - Senior/Specialist	112,450		0.3	0.2		
Management Analyst 3	72,923		1.4	0.7		
Management Analyst 5	93,349		0.1	0.1		
Tax Policy Specialist 4	105,612		0.2	0.1		
Washington Management Services - Band 2	105,072		0.6	0.3		
<b>Total FTEs</b>			4.1	2.1		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

*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.*

The agency will need to adopt new administrative rules concerning RCW 50.20.190. It is assumed that this rulemaking will be minor.

HB1975 impacts claimants who are not successful in getting a waiver. Total outstanding interest pertaining to state UI trust fund pandemic era overpayments (2/2/20 to 9/4/21) equals **\$123.9M**

Of that, only \$8.2 Million has been paid and deposited into fund 120 from individuals who may be able to get a waiver.

Currently ~95% of waiver applicants have been successful in obtaining a waiver of their balance + interest. Under HB1975, these claimants would be able to get their interest reimbursed. 5% of waivers are unsuccessful, for a total of \$6M. The \$6M is currently uncollected and not in fund 120.

### **Without HB 1975**

\$8.2M x 5% = \$400k remains in fund 120

\$6M would be owing because the claimant did not qualify for a waiver and interest would continue to accrue

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\$6.4M potential fund 120 revenue

### **With 1975**

\$8.2M would be reimbursed

\$6M *potential* revenue would be waived and interest would begin accruing again January 2025

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\$8.2 reimbursed from fund 120