

Multiple Agency Fiscal Note Summary

Bill Number: 2330 HB	Title: Wildfire protection
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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 State Treasurer	0	0	0	(5,015,000)	(5,015,000)	0	(10,030,000)	(10,030,000)	0
Office of State Treasurer	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total \$	0	0	0	(5,015,000)	(5,015,000)	0	(10,030,000)	(10,030,000)	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 State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	2.5	0	0	752,519	7.2	0	0	1,896,090	7.2	0	0	1,896,090
Total \$	2.5	0	0	752,519	7.2	0	0	1,896,090	7.2	0	0	1,896,090

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
Office of Insurance Commissioner	.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

NONE

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Preliminary 1/26/2024
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Individual State Agency Fiscal Note

Bill Number: 2330 HB	Title: Wildfire protection	Agency: 090-Office of State Treasurer
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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
General Fund-State 001-1				(5,015,000)	(10,030,000)
Strengthen Washington Homes Account-State New-1				5,015,000	10,030,000
Total \$					

In addition to the estimates above, there are additional indeterminate costs 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.

Legislative Contact: Michelle Rusk	Phone: 360-786-7153	Date: 01/17/2024
Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 01/23/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 01/23/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

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.

HB 2330 creates the strengthen Washington homes account, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092(4).

The strengthen Washington homes account revenue stream is addressed in the cash receipts impact section of this fiscal note.

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.

Under section 13(c), beginning July 1, 2026, and July 1st of each year thereafter, the state treasurer shall deposit \$5,000,000 in moneys collected for premium taxes pursuant to this section into the strengthen Washington homes account. Beginning July 1, 2026, the amount deposited under this subsection must be adjusted by the most current seasonally adjusted index of the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor.

The latest consumer price index (CPI) in December 2023 = +0.3%.

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

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: 2330 HB	Title: Wildfire protection	Agency: 160-Office of Insurance Commissioner
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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
Insurance Commissioners Regulatory Account-State 138-1		(500,000)	(500,000)		
Strengthen Washington Homes Account-State NEW-1		500,000	500,000		
Total \$					

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	5.0	2.5	7.2	7.2
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	752,519	752,519	1,896,090	1,896,090
Total \$	0	752,519	752,519	1,896,090	1,896,090

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: Michelle Rusk	Phone: 360-786-7153	Date: 01/17/2024
Agency Preparation: Andrew Davis	Phone: 360-725-7170	Date: 01/22/2024
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 01/22/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 01/26/2024

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) requires any insurer that takes adverse action against a consumer based in whole or in part on the use of a wildfire risk model to include the following information in the written notice required under RCW 48.18.90 or 48.18.2901, or in a separate written notice to the consumer if notice is not otherwise required:

- a) What wildfire risk models were used and from which companies the models were provided.
- b) The consumer's wildfire risk score resulting from the insurer's use of the wildfire risk model.
- c) A detailed written explanation of why the consumer received the assigned wildfire risk score.
- d) Information about the WA Essential Property Insurance Inspection and Placement programs.
- e) Contact information for the Office of Insurance Commissioner (OIC).
- f) Information regarding how a consumer may appeal the adverse action.

Section 1(3) requires any insurer issuing general casualty insurance or property insurance to consumers to report to the OIC, by July 1st of each year, the total number of adverse actions taken and within that number, the number of adverse actions taken based in whole or in part on the insurer's use of a wildfire risk model.

Section 3 establishes the Strengthen WA Homes program within the OIC. The purpose of the program is to provide grants to WA homeowners to either retrofit residential property to resist loss due to wildfire, or evaluate whether residential property meets wildfire mitigation standards, including the wildfire prepared home standards, or both.

Section 4(1) requires the OIC to establish, by rule, a process whereby homeowners in WA may apply to receive a grant administered by the OIC.

Section 4(2) requires the OIC to review all grant application for completeness and perform appropriate audits to verify the accuracy of the information and to ensure the application meets all eligibility rules under Section 8 of the act. When a grant is approved, the OIC must send an approval letter to the applicant.

Section 4(6) requires the OIC to regularly coordinate with other state agencies to ensure that grants awarded are not duplicative of wildfire mitigation and related efforts undertaken by other state agencies.

Section 5(2) requires the OIC, on behalf of the homeowner, to directly pay the eligible contractor that performed the mitigation work or the eligible evaluator, the costs covered by the grant.

Section 5(3) requires the OIC to conduct random inspections to detect any fraud and submit any irregularities to the Attorney General.

Section 8 authorizes the OIC to adopt rules as necessary to implement and administer the program including but not limited to rules on the criteria used to determine whether an applicant is eligible for a grant and standards to determine whether a contractor or evaluator is eligible to work on a project funded by the grant.

Section 10 appropriates \$500,000 from the Insurance Commissioner's Regulatory account to the Strengthen WA Homes account.

Section 11 requires the OIC, beginning December 1, 2025, and by December 1st each year thereafter, to report to the appropriate committees of the legislature on any credits or discounts provided under this new chapter and reported to the OIC under Section 1.

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.

Section 10 appropriates \$500,000 from the Insurance Commissioner's Regulatory Account to the Strengthen WA Homes account. For purposes of this fiscal note, the Office of Insurance Commissioner anticipated that the revenue transfer will be done in FY2025.

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.

Section 1(2) requires any insurer that takes adverse action against a consumer based in whole or in part on the use of a wildfire risk model to include the following information in the written notice required under RCW 48.18.90 or 48.18.2901, or in a separate written notice to the consumer if notice is not otherwise required:

- a) What wildfire risk models were used and from which companies the models were provided.
- b) The consumer's wildfire risk score resulting from the insurer's use of the wildfire risk model.
- c) A detailed written explanation of why the consumer received the assigned wildfire risk score.
- d) Information about the WA Essential Property Insurance Inspection and Placement programs.
- e) Contact information for the Office of Insurance Commissioner (OIC).
- f) Information regarding how a consumer may appeal the adverse action.

The requirements in Section 1(2) for insurers to include detailed information in their adverse action notices is expected to generate additional consumer inquiries, calls, and complaints. In 2023, the OIC receive 20 consumer complaints as a direct result of wildfires. The OIC assumes the adverse action information provided to consumers will prominently include the OIC's consumer resources information resulting in the doubling of wildfire related complaints and an additional 40 calls and 30 inquiries each year. Informational cases generally take 10 minutes per case and complaint cases generally take between one and 3.25 hours per case. For purposes of this fiscal note, it is assumed that informational cases will take 10 minutes per case and complaint cases will take 3.1 hours per case requiring 74 hours (70 info cases x 10 minutes + 20 complaint cases x 3.1 hours) of a Functional Program Analyst 3 each year beginning in FY2025.

Section 1(3) requires any insurer issuing general casualty insurance or property insurance to consumers to report to the OIC, by July 1st of each year, the total number of adverse actions taken and within that number, the number of adverse actions taken based in whole or in part on the insurer's use of a wildfire risk model.

The provision in Section 1 will lead to an increase in enforcement actions, including hearing demands, in situations where an insurer does not issue adverse action notices with the required information or fails to file the annual report of adverse actions with the OIC. The OIC anticipates an average of an additional 4 enforcement cases, with 1 case being sent to hearings, per year to address the violations. For purposes of this fiscal note, it is assumed that enforcement actions will require an average of 40 hours per case and hearings will require an average of 50 hours per case requiring 210 hours (4 cases x 40 hours and 1 hearing x 50 hours) per year of an Insurance Attorney beginning in FY2025.

Section 3 establishes the Strengthen WA Homes program within the OIC. The purpose of the program is to provide grants to WA homeowners to either retrofit residential property to resist loss due to wildfire, or evaluate whether residential property meets wildfire mitigation standards, including the wildfire prepared home standards, or both.

Section 4(2) requires the OIC to review all grant application for completeness and perform appropriate audits to verify the accuracy of the information and to ensure the application meets all eligibility rules under Section 8 of the act. When a grant is approved, the OIC must send an approval letter to the applicant.

Section 4(6) requires the OIC to regularly coordinate with other state agencies to ensure that grants awarded are not duplicative of wildfire mitigation and related efforts undertaken by other state agencies.

Section 5(2) requires the OIC, on behalf of the homeowner, to directly pay the eligible contractor that performed the mitigation work or the eligible evaluator, the costs covered by the grant.

Section 5(3) requires the OIC to conduct random inspections to detect any fraud and submit any irregularities to the Attorney General.

Sections 3 through 5 establish a new program within the OIC to implement and administer the new grant program. Program responsibilities will include updated and creating publications, maintaining web pages, administering the grant, and conducting educational outreach events. This team will closely coordinate with the Department of Commerce and other state agencies as prescribed within other sections of the bill. Based on current market and environmental trends and the feedback of managers and subject matter experts, this program will require, beginning in FY2025, 1.0 FTE Grant Unit Manager, 2.0 FTE Functional Program Analyst 4, 2.0 FTE Functional Program Analyst 3 and 2.0 Insurance Technician 3 positions to successfully execute the duties of the program. In addition, OIC anticipates one-time costs, in FY2025, of 50 hours of an Insurance Attorney to provide advice related to this statutory change and its interpretation, implementation and enforcement.

Section 11 authorizes an insurer’s provision of an actuarially supported wildfire risk mitigation credit or discount and requires the OIC, beginning December 1, 2025, and by December 1st each year thereafter, to report to the appropriate committees of the legislature on any credits or discounts provided under this new chapter and reported to the OIC under Section 1. Assisting with confirming that wildfire mitigation credits and discounts reported by insurers are consistent with filed rating rules will require checking previously approved filings each year. It is assumed that 12 insurers will begin using wildfire mitigation discounts and it will take approximately 10 minutes per insurer to verify the filed discounts. This impact is considered minor in nature and can be absorbed through the course of normal OIC business.

Ongoing Cost:

Salary, benefits and associated costs for 2.05 FTE Functional Program Analyst 3; 2.0 FTE Functional Program Analyst 4; 2.0 FTE Insurance Technician 3; 1.0 FTE Grant Unit Manager; and .13 FTE Insurance Attorney.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	0	752,519	752,519	1,896,090	1,896,090
Total \$			0	752,519	752,519	1,896,090	1,896,090

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		5.0	2.5	7.2	7.2
A-Salaries and Wages		435,811	435,811	1,112,908	1,112,908
B-Employee Benefits		149,404	149,404	403,964	403,964
C-Professional Service Contracts					
E-Goods and Other Services		146,304	146,304	379,218	379,218
G-Travel					
J-Capital Outlays		21,000	21,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$		0	752,519	752,519	1,896,090

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
Functional Program Analyst 3	78,468		1.1	0.5	2.1	2.1
Functional Program Analyst 4	86,712		1.2	0.6	2.0	2.0
Grants Unit Manager	112,008		1.0	0.5	1.0	1.0
Insurance Attorney	95,652		0.2	0.1	0.1	0.1
Insurance Technician 3	48,864		1.0	0.5	2.0	2.0
Senior Policy Analyst	116,148		0.7	0.3		
Total FTEs			5.0	2.5	7.2	7.2

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 Office of Insurance Commissioner (OIC) will be required to conduct ‘Complex’ rulemaking, in FY2025, to address the following sections:

- Section 4(1) requires the OIC to establish by rule a process for homeowners to apply to receive a grant to retrofit an insurable residential property to mitigate against damage, inspect an insurable residential property to certify that it meets the wildfire prepared home standards, or both.
- Section 8 authorizes the OIC to adopt rules as necessary to implement and administer this chapter. This includes creating criteria to determine whether an applicant is eligible for a grant and standards to determine whether a contractor or evaluator is eligible to work on projects funded by a grant.