

Multiple Agency Fiscal Note Summary

Bill Number: 1959 S HB	Title: PFML/small employers
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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 Administrative Hearings	0	0	250,000	0	0	1,004,000	0	0	1,004,000
Employment Security Department	0	0	46,000,000	0	0	214,000,000	0	0	269,000,000
Total \$	0	0	46,250,000	0	0	215,004,000	0	0	270,004,000

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 Administrative Hearings	.8	0	0	250,000	3.2	0	0	1,004,000	3.2	0	0	1,004,000
Office of Minority and Women's Business Enterprises	.8	188,672	188,672	188,672	2.0	547,424	547,424	547,424	2.0	548,504	548,504	548,504
Employment Security Department	13.2	0	0	4,240,584	31.1	0	0	8,710,176	32.4	0	0	9,008,478
Total \$	14.8	188,672	188,672	4,679,256	36.3	547,424	547,424	10,261,600	37.6	548,504	548,504	10,560,982

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Office of Minority and Women's Business Enterprises	.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

NONE

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Prepared by: Anna Minor, OFM	Phone: (360) 790-2951	Date Published: Final 2/12/2024
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Individual State Agency Fiscal Note

Bill Number: 1959 S HB	Title: PFML/small employers	Agency: 110-Office of Administrative Hearings
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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
Administrative Hearings Revolving Account-State 484-1		250,000	250,000	1,004,000	1,004,000
Total \$		250,000	250,000	1,004,000	1,004,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	1.6	0.8	3.2	3.2
Account					
Administrative Hearings Revolving Account-State 484-1	0	250,000	250,000	1,004,000	1,004,000
Total \$	0	250,000	250,000	1,004,000	1,004,000

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.

Legislative Contact: Kelly Leonard	Phone: 360-786-7147	Date: 01/26/2024
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/30/2024
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 01/30/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/02/2024

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 removes the exemption under RCW 50A.10.030 from Paid Family Medical Leave premium payment requirements that applied to employers with less than 50 employees. This law will result in premium assessment appeals to the Office of Administrative Hearings by smaller employers challenging the Employment Security Department's assessments and/or its determinations that they have improperly paid premiums.

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.

As a central service agency, the Office of Administrative Hearings (OAH) bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Employment Security Department for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

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.

The Employment Security Department estimates that the proposed legislation will result in 175 new appeals in FY 2025, and 350 new appeals per FY starting in FY 2026 being referred to the Office of Administrative Hearings (OAH). On average, each appeal is expected to take approximately six hours of line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

OAH Agency Workforce Assumptions:

- (1) 1.0 Line ALJ will include cost and FTE for 0.15 Senior ALJ (SALJ), 0.15 Lead ALJ (LALJ), 0.6 Legal Assistant 2 (LA2) (Range 40 step L), and 0.25 administrative support represented as a Management Analyst 5 (MA5) (Range 64 Step L).
- (2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70. Senior ALJ-range 74.)
- (3) Benefit rates were analyzed by job class and projected using the latest benefit information available.
- (4) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.

Total workload impact:

FY 2025: 0.75 ALJ, 0.11 SALJ; 0.11 LALJ; 0.45 LA2 and 0.19 MA5. The total cost is rounded to \$250,000 per FY.

FY 2026 and in each FY thereafter: 1.5 ALJ, 0.23 SALJ; 0.23 LALJ; 0.9 LA2 and 0.38 MA5. The total cost is rounded to \$502,000 per FY.

These projected costs do not include approved COLA salary increases approved effective July 1, 2024.

Legal services associated with the enactment of this bill will begin on January 1, 2025.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
484-1	Administrative Hearings Revolving Account	State	0	250,000	250,000	1,004,000	1,004,000
Total \$			0	250,000	250,000	1,004,000	1,004,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.6	0.8	3.2	3.2
A-Salaries and Wages		157,000	157,000	628,000	628,000
B-Employee Benefits		50,000	50,000	200,000	200,000
C-Professional Service Contracts					
E-Goods and Other Services		40,000	40,000	162,000	162,000
G-Travel		1,000	1,000	6,000	6,000
J-Capital Outlays		2,000	2,000	8,000	8,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	250,000	250,000	1,004,000	1,004,000

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
Administrative Law Judge	110,400		0.8	0.4	1.5	1.5
Lead Administrative Law Judge	118,932		0.1	0.1	0.2	0.2
Legal Assistant 2	52,964		0.5	0.2	0.9	0.9
Management Analyst 5	95,184		0.1	0.1	0.4	0.4
Senior Administrative Law Judge	128,400		0.2	0.1	0.2	0.2
Total FTEs			1.6	0.8	3.2	3.2

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Regulatory & Education (REG)		250,000	250,000	1,004,000	1,004,000
Total \$		250,000	250,000	1,004,000	1,004,000

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

Revised

Bill Number: 1959 S HB	Title: PFML/small employers	Agency: 147-Office of Minority and Women's Business Enterprises
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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	0.0	1.5	0.8	2.0	2.0
Account					
General Fund-State 001-1	0	188,672	188,672	547,424	548,504
Total \$	0	188,672	188,672	547,424	548,504

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: 01/26/2024
Agency Preparation: Ian Shelley	Phone: (360) 407-2243	Date: 02/05/2024
Agency Approval: Ian Shelley	Phone: (360) 407-2243	Date: 02/05/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/05/2024

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.

Substitute House Bill 1959 amends RCW 50A.10.030 and RCW 50A.24.010 which will extend paid family medical leave program requirements to employers with fewer than 50 employees.

As of January 1, 2024 the Office of Minority and Women’s Business Enterprises (OMWBE) certified business directory contained 4672 certified businesses. Of these businesses, 98% or 4,578 have fewer than 50 employees.

To provide the necessary supports to the small OMWBE certified businesses affected during the period of fiscal year 2025 through fiscal year 2029, the Office of Minority and Women’s Business Enterprises anticipates a fiscal impact of \$1,284,600 to support two MA4 positions to conduct outreach, education, and technical assistance to support certified businesses with implementation. The two MA4 positions have been set to begin October 1st 2024, 3 months prior to the bills effective date, so that OMWBE can begin outreach and education. See attached pdf for a detailed breakout of 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.

To provide the necessary supports to the small OMWBE certified businesses affected during the period of fiscal year 2025 through fiscal year 2029, the Office of Minority and Women’s Business Enterprises anticipates a fiscal impact of \$1,284,600 to support two MA4 positions to conduct outreach, education, and technical assistance to support certified businesses with implementation. The two MA4 positions have been set to begin October 1st 2024, 3 months prior to the bills effective date, so that OMWBE can begin outreach and education. See attached pdf for a detailed breakout of fiscal impact.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	188,672	188,672	547,424	548,504
Total \$			0	188,672	188,672	547,424	548,504

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.5	0.8	2.0	2.0
A-Salaries and Wages		133,191	133,191	355,176	355,176
B-Employee Benefits		44,932	44,932	118,740	119,820
C-Professional Service Contracts					
E-Goods and Other Services		6,549	6,549	73,508	73,508
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers		4,000	4,000		
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	188,672	188,672	547,424	548,504

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
Management Analyst 4	86,208		1.5	0.8	2.0	2.0
Total FTEs			1.5	0.8	2.0	2.0

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.

Estimated New Employee Costs

Summary	FY24	FY25	FY26	FY27	FY28	FY29
Salary	\$0	\$133,191	\$177,588	\$177,588	\$177,588	\$177,588
Benefits	\$0	\$44,932	\$58,830	\$59,910	\$59,910	\$59,910
Goods & Services	\$0	\$6,549	\$11,732	\$11,732	\$11,732	\$11,732
Equipment	\$0	\$4,000	\$0	\$0	\$0	\$0
Central Services	\$0	\$0	\$25,022	\$25,022	\$25,022	\$25,022
TOTALS	\$0	\$188,672	\$273,172	\$274,252	\$274,252	\$274,252

Salaries: (A)	Range	Salary/mo	# Needed	FY 2024	# Needed	FY 2025	# Needed	FY 2026	# Needed	FY 2027
MA4		\$7,184	0.0	\$0	1.5	\$133,191	2.0	\$177,588	2.0	\$177,588
Position 2		\$0	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Total Salary			0.0	\$0	1.5	\$133,191	2.0	\$177,588	2.0	\$177,588

Benefits: (B)	Rate	# Needed	FY 2024	# Needed	FY 2025	# Needed	FY 2026	# Needed	FY 2027
OASI	6.20%		\$0		\$8,258		\$11,010		\$11,010
Retirement (PERS employer rate 9/1/22)	9.53%		\$0		\$12,693		\$16,924		\$16,924
Industrial Insurance									
Class 4902 - Office Workers	\$420	0.0	\$0	1.5	\$630	2.0	\$840	2.0	\$840
Health Insurance (FY24 \$1,145/mo, FY25 \$1,190/mo.)	\$1145/\$1190	0.0	\$0	1.5	\$21,420	2.0	\$27,480	2.0	\$28,560
Medicare	1.45%		\$0		\$1,931		\$2,575		\$2,575
Total Benefits			\$0		\$44,932		\$58,830		\$59,910

Goods & Services:	Rate	# Needed	FY 2024	# Needed	FY 2025	# Needed	FY 2026	# Needed	FY 2027
Supplies (EA)	\$400	0.0	\$0	1.5	\$600	2.0	\$800	2.0	\$800
Communications (EB)									
Phone Line	\$540	0.0	\$0	1.5	\$810	2.0	\$1,080	2.0	\$1,080
Switched Long Distance Service	\$125	0.0	\$0	1.5	\$188	2.0	\$250	2.0	\$250
Voice Mail	\$54	0.0	\$0	1.5	\$81	2.0	\$108	2.0	\$108
Other (cell phone, pager, etc.)	\$1,080	0.0	\$0	1.5	\$1,620	2.0	\$2,160	2.0	\$2,160
Printing (Business Cards) (EF)	\$25	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Training (EG)	\$1,000	0.0	\$0	1.5	\$1,500	2.0	\$2,000	2.0	\$2,000
Data Processing (EL)									
Internet - VPN Soft/Cert	\$108	0.0	\$0	1.5	\$162	2.0	\$216	2.0	\$216
Network/Desktop/Phone Support	\$0	0.0	\$0	1.5	\$0	2.0	\$0	2.0	\$0
Email, Vault license & Filtering	\$78	0.0	\$0	1.5	\$117	2.0	\$156	2.0	\$156
Vault Storage - 2GB per person	\$30	0.0	\$0	1.5	\$46	2.0	\$61	2.0	\$61
Payroll Processing	\$240	0.0	\$0	1.5	\$360	2.0	\$480	2.0	\$480
Personnel Service Fee (EN-0001)	0.8%		\$0		\$1,066		\$1,421		\$1,421
Software Licenses (EY)	\$1,500	0.0	\$0	0.0	\$0	2.0	\$3,000	2.0	\$3,000
One-time Costs:									
Internet - VPN - One time set up fee (EL)	\$180	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Phone Line/Data Cable Installation (ER)	\$300	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Total Goods & Services			\$0		\$6,549		\$11,732		\$11,732

Central Services	Rate	# Needed	FY 2024	# Needed	FY 2025	# Needed	FY 2026	# Needed	FY 2027
Small Agency Human Resources (EN)	\$1,670	0.0	\$0	0.0	\$0	2.0	\$3,340	2.0	\$3,340
Small Agency Financial Services (EK)	\$2,435	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Public & Historic Facilities (EK) (if new FTE)	\$94	0.0	\$0	0.0	\$0	2.0	\$188	2.0	\$188
Office of Chief Information Officer (EL)	\$75	0.0	\$0	0.0	\$0	2.0	\$150	2.0	\$150
State Data Network (EL)	\$132	0.0	\$0	0.0	\$0	2.0	\$264	2.0	\$264
State Data Center (EL)	\$183	0.0	\$0	0.0	\$0	2.0	\$366	2.0	\$366
Enterprise Systems Rates (EL)	\$377	0.0	\$0	0.0	\$0	2.0	\$754	2.0	\$754
Enterprise Security (EL)	\$44	0.0	\$0	0.0	\$0	2.0	\$88	2.0	\$88
WaTech Network/Desktop/Phone Support (EL)	\$9,661	0.0	\$0	0.0	\$0	2.0	\$19,322	2.0	\$19,322
Real Estate Services (EK)	\$86	0.0	\$0	0.0	\$0	2.0	\$172	2.0	\$172
DES Risk Management Fee (EP)	\$45	0.0	\$0	0.0	\$0	2.0	\$90	2.0	\$90
OFM Central Services (ER)	\$144	0.0	\$0	0.0	\$0	2.0	\$288	2.0	\$288
Total Central Services			\$0		\$0		\$25,022		\$25,022

Equipment: (J)	Rate	# Needed	FY 2024	# Needed	FY 2025	# Needed	FY 2026	# Needed	FY 2027
Desk	\$1,938	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Desk Chair	\$545	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Side Chair	\$235	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
File Cabinet	\$332	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Bookcase	\$300	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Laptop w/Dock, Cable, Mouse, Keyboard	\$2,000	0.0	\$0	2.0	\$4,000	0.0	\$0	0.0	\$0
Phone	\$155	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0
Total Equipment			\$0		\$4,000		\$0		\$0

Individual State Agency Fiscal Note

Bill Number: 1959 S HB	Title: PFML/small employers	Agency: 540-Employment Security Department
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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
Family and Medical Leave Insurance Account-State 22F-1		46,000,000	46,000,000	214,000,000	269,000,000
Total \$		46,000,000	46,000,000	214,000,000	269,000,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	26.5	13.2	31.1	32.4
Account					
Family and Medical Leave Insurance Account-State 22F-1	0	4,240,584	4,240,584	8,710,176	9,008,478
Total \$	0	4,240,584	4,240,584	8,710,176	9,008,478

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: 01/26/2024
Agency Preparation: Lesley Carpenter	Phone: 360 902-9404	Date: 02/01/2024
Agency Approval: Danielle Cruver	Phone: 360-810-0901	Date: 02/01/2024
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 02/02/2024

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.

SHB 1959 requires small businesses to pay the employer share of the Paid Family Medical and Leave (PFML) premium. Currently, small businesses are exempt.

Changes from the previous version are in Sec. 3 which changes the effective date from July 1, 2025 to January 1, 2025

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.

Please see attached Cash Receipt Narrative

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 Impact Narrative

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
22F-1	Family and Medical Leave Insurance Account	State	0	4,240,584	4,240,584	8,710,176	9,008,478
Total \$			0	4,240,584	4,240,584	8,710,176	9,008,478

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		26.5	13.2	31.1	32.4
A-Salaries and Wages		1,764,414	1,764,414	4,040,415	4,196,052
B-Employee Benefits		705,766	705,766	1,616,166	1,678,420
C-Professional Service Contracts		309,172	309,172		
E-Goods and Other Services		977,717	977,717	1,947,541	1,985,416
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		483,515	483,515	1,106,054	1,148,590
9-					
Total \$	0	4,240,584	4,240,584	8,710,176	9,008,478

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
ACTUARIAL ANALYST 3	88,794		0.1	0.1	0.3	0.3
COMMUNICATIONS CONSULTANT 4	69,401		0.4	0.2		
COMMUNICATIONS CONSULTANT 5	80,464		0.1	0.1		
ECONOMIC ANALYST 3	82,515		0.1	0.1	0.1	0.1
ES BENEFITS SPECIALIST 2	59,847		18.0	9.0	21.8	23.0
ES BENEFITS SPECIALIST 3	66,015		3.5	1.8	5.0	5.0
ES BENEFITS SPECIALIST 4	72,924		2.0	1.0	2.0	2.0
IT APP DEVELOPMENT - MANAGER	117,927		0.1	0.1		
IT CUSTOMER SUPPORT - MANAGER	106,976		0.1	0.1		
IT POLICY & PLANNING - SENIOR/SPECIALIST	106,976		0.1	0.1		
IT PROJECT MANAGEMENT - SENIOR MANAGER	123,835		0.1	0.1		
IT PROJECT MANAGEMENT - SENIOR/SPECIALIST	106,976		0.1	0.1		
IT QUALITY ASSURANCE - SENIOR/SPECIALIST	101,871		0.1	0.1		
OFFICE ASSISTANT 3	40,714		0.5	0.3	1.0	1.0
OPERATIONS RESEARCH SPECIALIST	93,343		0.1	0.1		
WMS BAND 1	92,911		1.0	0.5	1.0	1.0
Total FTEs			26.5	13.2	31.1	32.4

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.

This bill will require minor rulemaking.

WAC 192-510-040, WAC 192-510-045, and WAC 192-560-010 will need to be updated to remove references to business size for the purposes of premium assessment and references to premium assessment to establish eligibility for small businesses.

SHB 1959 Cash Receipts Narrative

Projections found in the following tables include key inputs impacting the Paid Leave account balance and premium rate setting and are largely based on the projection developed for the November 2023 Actuarial Report for Paid Family & Medical Leave as required by RCW 50A.05.050. Projections used for this analysis included projections for benefit expenses, premium wages, operational expenses, and account balances based on these items. Approved grant applications and average grant cost for FY 2023 were reviewed as this experience period is aligned with the experience period utilized in the November 2023 Actuarial Report.

The baseline projection, including items such as premium exemptions for small employers, benefit expense, and account balance, are included from the November 2023 Actuarial Report for projection years 2024-2027. Because the November 2023 Actuarial Report projection ends in 2027, the projection after 2027 trends items such as premium wages, claims expenses, and operational expenses based on the projected change in 2027 in the Actuarial Report, carrying those changes forward to later years. FY 2023 data for baseline projected approved grants and their cost utilized was used and were trended at 3% per year for the projected grant counts and the cost of grants were held static at \$2,312.50, keeping the mix of grant types the same into the future. It is assumed that the grants projected during the projection period of the November 2023 Actuarial Report would have been included in the expenses assumed as part of that report.

Methods used to estimate SHB 1959 are identical in all aspects to the baseline projection outside of premium received, as premium exemptions are being removed, and the additional operational and grant costs associated with the bill. These changes will also affect the premium rate and account balance over time. SHB 1959 approved grants counts are expected to be tied more closely with claim counts for small employers as the bill creates financial incentive for small employers to file applications, causing increased costs related to the additional grants as well as increased operational costs related to the changes. Premium rates are recalculated for SHB 1959 using the regulatory method established in SSB 5286 including the removal of premium exemptions and additional grant and operational expenses. Projected premiums and fund balance projections incorporate updates to premium rates and expenses, as appropriate. With the removal of the small business (employers with less than 50 employees) premium exemption, we expect significant improvement of the financial condition of the program even after including the additional grant and operational costs for the program. SSB 5286 requires that premium rates are set at a level where the account balance in Q1 following the rate year does not exceed the 3-month reserve as of the premium rate calculation. Because of the improved financial condition and the requirement to cap rates if the projected account balance exceeds the 3-month reserve, the premium rates for rate years 2026-2033 are capped at the minimum needed for the fund balance as of Q1 following the rate year to not exceed the 3-month reserve as of the rate calculation.

Please note the values presented are a projection and include an estimate of the impacts of the changes outlined in SHB 1959 given current data and assumptions and could vary from how data develops over time for a variety of reasons. Summary of the methodology used to obtain the volume and payment estimations of small business assistance grants are as follows.

- FY2023 claims were used as a baseline for assumptions. In FY2023 there were 42,251 claims from employers <50 who would have lost exemption status (less than 50 employees) under SHB 1959. In 2025 we assume 50% of those claims would have an assistance grant associated to them after implementation, increasing to 60% in 2026.
- For example, FY2026, this would result in 23,209 approved small business assistance grants that year for employers sized 0-49. Historical experience indicates there would be 44 grants attached to employers with 50-150 employees. These numbers would not grow significantly as they are already currently paying the employer portion of the premium. The resulting sum of approved small business assistance grants of 23,253 in FY2026.
- Based on program experience for small business assistance grants, the average amount received by recipients of the grant was \$2,312.5.
- $23,253 \text{ approved grants} \times \$2,312.505 = \$53,772,678$ in grant payments.

Additional Small Business Assistance (SBA) Grants & Payments

This table reflects the estimated approved grants and the grant costs under the baseline projection, as well as under SHB 1959. Grants and the costs associated with them will increase due to the incentive for small businesses to apply.

Fiscal Year	Baseline Projection: SBA Grants	Baseline Projection: SBA Grant Payments	SHB 1959: SBA Grants	SHB 1959: SBA Grant Payments*	Additional SBA Grants	Additional SBA Grants Payments*	Additional Operational Expenses
FY 24	98	\$225,469	98	\$225,469	-	\$0	\$0
FY 25	101	\$232,406	11,702	\$27,060,875	11,601	\$26,828,469	\$4,240,584
FY 26	104	\$239,344	25,407	\$58,752,531	25,303	\$58,513,188	\$4,205,937
FY 27	107	\$246,281	29,621	\$68,497,406	29,514	\$68,251,125	\$4,504,239
FY 28	110	\$253,219	33,043	\$76,411,938	32,933	\$76,158,719	\$4,504,239
FY 29	113	\$260,156	34,868	\$80,632,250	34,755	\$80,372,094	\$4,504,239
FY 30	116	\$267,094	35,914	\$83,051,125	35,798	\$82,784,031	\$4,504,239
FY 31	119	\$275,188	36,992	\$85,542,844	36,873	\$85,267,656	\$4,504,239
FY 32	123	\$284,438	38,101	\$88,108,563	37,978	\$87,824,125	\$4,504,239
FY 33	127	\$293,688	39,244	\$90,751,750	39,117	\$90,458,063	\$4,504,239

*Due to rounding number may not add precisely in this document

Assessed Premium Revenue (in Millions)

This table reflects the estimated assessed premium under SHB 1959. Assessed premium will differ under SHB 1959 due to the removal of small business exemptions and premium rate changes. The premium revenue shown would reflect any rate adjustments and rate capping that would apply for that year.

Premium Revenue	Baseline Projection	SHB 1959	Revenue Delta Between SHB 1959 and Baseline
FY 24	\$1,643	\$1,643	\$0
FY 25	\$1,866	\$1,912	\$46
FY 26	\$2,224	\$2,364	\$140
FY 27	\$2,350	\$2,424	\$74
FY 28	\$2,403	\$2,520	\$117
FY 29	\$2,570	\$2,722	\$152
FY 30	\$2,824	\$2,943	\$118
FY 31	\$3,094	\$3,182	\$88
FY 32	\$3,349	\$3,441	\$92
FY 33	\$3,575	\$3,773	\$199

Premium Rates

This table depicts the baseline projected premium rates calculated as our current statute stands compared to the introduced policy. Due to the improved financial condition of the program, the 2026-2033 premium rates were adjusted so that the account balance is not materially above the projected 3-month reserve and were capped. The amount the premium rate was adjusted by is included below, with capped years highlighted.

Rate Year	Baseline Premium Rate Projection	SHB 1959 Premium Rate Projection	Delta Between SHB 1959 and Baseline	SHB 1959 Notes
2024	0.74%	0.74%	0.00%	
2025	0.93%	0.93%	0.00%	
2026	0.99%	0.95%	-0.04%	Rate adjusted by 5.9%
2027	0.97%	0.91%	-0.06%	Rate adjusted by 6.62%
2028	0.97%	0.95%	-0.02%	Rate adjusted by 3.16%
2029	1.02%	0.99%	-0.03%	Rate adjusted by 3.35%
2030	1.08%	1.03%	-0.06%	Rate adjusted by 3.4%
2031	1.13%	1.07%	-0.07%	Rate adjusted by 3.37%
2032	1.18%	1.11%	-0.06%	Rate adjusted by 3.36%
2033	1.20%	1.19%	-0.01%	Rate adjusted by 0.84%

Account Balance and Target 3-Month Reserve (in Millions)

This table depicts the account balance as of the end of each rate collection year (quarter 1 of each calendar year), the estimated target 3-month reserve (calculated as the 3-month average of the prior 12 months to calculation of the premium rate), and the differences between those two values. A negative value in the difference between these two estimates does not reflect a cash deficit but rather a period in which the account balance fails to reach the targeted 3-month reserve. Highlighted years that have a \$0 difference under SHB 1959 are highlighted because the premium rates were capped in this year so that the account balance would not exceed the target 3-month reserve as described.

Year	3-Month Reserve Target	Baseline Account Balance	SHB 1959 Account Balance	Delta Between SHB 1959 Account Balance and Baseline Account Balance	Delta Between SHB 1959 Account Balance and Reserve
2024	\$360.3	\$21.2	\$4.6	-\$339.1	-\$355.7
2025	\$435.9	\$173.0	\$237.3	-\$262.9	-\$198.6
2026	\$478.3	\$385.0	\$478.3	-\$93.3	\$0
2027	\$525.4	\$459.7	\$525.4	-\$65.7	\$0
2028	\$570.1	\$427.4	\$570.1	-\$142.7	\$0
2029	\$617.6	\$417.1	\$617.6	-\$200.5	\$0
2030	\$668.0	\$461.9	\$668.0	-\$206.1	\$0
2031	\$722.3	\$526.4	\$722.3	-\$195.9	\$0
2032	\$781.1	\$578.2	\$781.1	-\$202.9	\$0
2033	\$844.6	\$551.9	\$844.6	-\$292.7	\$0

Expenditure Impact Narrative

SHB 1959 would require small businesses to pay the employer share of the Paid Family Medical Leave (PFML) premium.

The agency will need to implement a large outreach campaign, address customer service needs, and make changes to the IT infrastructure to account for the changes.

To implement this bill the following needs to occur in fiscal year 2025:

- Minor rulemaking and policy work
- Modifications to internal technology systems
- Update Employment Security Department (ESD) websites and email communications
- Update training and reference materials
- Staff Training

One -Time Cost

Rulemaking and Policy related cost (one time cost)

- Minor rulemaking cost = \$30,000

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

Summary of IT related work

- Updates to premium calculation functionality to assess small employers from the effective date forward but continue not to assess employer share for past reports/amendments.
- Enhancements to small business grant functionality to automate aspects to accommodate for higher volumes of applications as anticipated in the actuarial & data assumptions.
- Modify existing functionality to no longer begin assessment of the employer share of the premium on an employer with fewer than 50 employees upon that employer's receipt of a small business grant.
- Changes to multiple screens within employer accounts to accurately explain premium assessment, small business grant requirements, and transaction and/or assessment history to small employers who begin paying the employer share.

A single contract development team (comprised of a Scrum Lead, a Delivery Architect, a senior Application Developer, two journey Application Developers, a senior Test Engineer, a journey Quality Assurance tester and a journey DevOps Specialist) will design, code, test and implement the features defined by the product owner/Transformation team to update premium calculation functionality, enhancement small business grant functionality, modify existing premium assessment functionality and additional changes to provide new/additional information regarding premium assessment, grant requirements and transaction histories by modify and/or creating new screens within the system.

The staffing model above requires a single contracted development team and assumes that four sprint periods to build, harden, and thoroughly test new functionality will be needed. A sprint is comprised of a two-week development cycle, where two sprints is equivalent to one month of technical work.

That development team will be supported by a Project Manager and will also engage performance and security testing (1 senior Performance Test Engineer, 1 journey Performance Test Engineer and 1 senior Security Tester) and the development, test and production environment implementations will be managed by the Build Manager.

The work will be overseen by LCD Technology Leadership including the LCD Technology Manger, the LCD AppDev Manger, the LCD Operations Manager, the Scrum of Scrums Master, and the Testing Supervisor. This assumes the standard staffing model based on a single development team build out.

IT Architect - Senior/Specialist – Delivery Architect

- FY25 (352 hours * 162 per hour = \$57,024)

IT Application Development – Journey – Application Developer

- FY25 (704 hours * 120 per hour = \$84,480)

IT Application Development – Senior/Specialist – Application Developer

- FY25 (352 hours * 135 per hour = \$47,520)

IT Application Development – Senior/Specialist – Build Manager

- FY25 (9 hours * \$120 per hour = \$1,080)

IT Data Management – Journey – Database Administrator

- FY25 (18 hours * \$104 per hour = \$1,872)

IT Quality Assurance – Entry – Quality Assurance Tester

- FY25 (704 hours * \$75 per hour = \$52,800)

IT Quality Assurance – Journey – Integrated Tester

- FY25 (352 hours * \$120 per hour = \$42,240)

IT Quality Assurance – Journey – Performance Tester

- FY25 (9 hours * \$95 per hour = \$855)

IT Quality Assurance – Senior/Specialist – Performance Tester

- FY25 (9 hours * \$135 per hour = \$1,215)

IT Quality Assurance – Senior/Specialist – Security tester

- FY25 (9 hours * \$198 per hour = \$1,782)

IT Systems Administration– Journey – Development Operations Specialist

- FY25 (176 hours * \$104 per hour = \$18,304)

Total IT one time contract cost for FY2025: \$309,172

Information Technology (IT) Related Staff Costs (one time cost)

The contract work will be overseen by the Leave and Care Division (LCD) Technology Leadership and the development team will be supported by a Project Manager.

IT Project Management – Senior Manager

FY25: 0.1 FTE

IT Application Development – Manager

FY25: 0.1 FTE

IT Customer Support – Manager

FY25: 0.1 FT

IT Project Management – Senior/Specialist

FY25: 0.1 FTE

IT Quality Assurance – Senior/Specialist

FY25: 0.1 FTE

IT Policy and Planning – Senior/Specialist

FY25: 0.1 FTE

Total IT one time staff cost for FY2025: \$123,048

Total Information Technology one time cost for FY2025: \$432,220

Communications Related Costs

To implement the bill the Communications team will develop and carry out an in-depth communications plan that utilizes most available communications tools. Meet with project team members to discuss project needs and communications plan progress. Create extensive copywriting, flyer creation, toolkit revisions, and document and form updates. Update marketing and engagement by doing across-the-board content creation and publishing. This includes initiation, multiple rounds of project team review, and publishing. Some possible communications strategies would include email campaigns, postal mailers, social media, and webinars. Communication would create new webpages and guides then modify, create and update content throughout the website, followed by running updates and new content through review and approval workflows. Finally, Communication would distribute updated information to staff throughout the division and assess needs with managers, meeting with project team members, and writing internal communications resources. This work would require the following:

Communications Consultant 5 – Communication and Web Manager
FY25: 0.13 FTE

Communications Consultant 4 – Communication Consultant and Web Specialist
FY25 0.38: FTE

Communications also anticipates three (3) separate postal mailers to 230,000 employers totaling \$297,000.

Total Communications one time cost for FY2025: \$368,482

Research Related Cost (one time)

Research and Data will need an Operation Research Specialist for FY25. After the first year of implementation there will be changes to our dashboards and reporting given the changes in SHB 1959.

Operations Research Specialist
FY25: 0.1 FTE

Total Research one-time cost for FY2025: \$17,576

Total One Time Cost for FY2025: \$848,278

Ongoing Cost

Claim Center Cost (ongoing)

The Operations Team will have an increase in communication and customer service needs from employers understanding the changes and working through account reconciliations and premium calculations and this communication increase is anticipated to last approximately 1 year.

The Operations Team anticipates an additional increase related to small employer workloads, such as small business assistant grants and voluntary plans. Based on estimates provided by the Paid Leave Actuary, small business assistant grants are expected to increase from 143 applications annually to 15,372 within the first year, then an additional increase to 34,317 within the second year, then remain over 30,000 each additional year. These numbers reflect both approved grants listed in the table above as well as grant applications that are ultimately denied. ESD's current approval rate for small business assistance grants is 69%, this is assumed to be the same in calendar year 2025 but increase slightly each year as more understanding and awareness of the program occurs; 74% in 2026 and 79% for 2028 and on.

Staffing is based off grant application and current experience. Each grant takes 45 minutes to process with an additional 15 minutes of phone calls, and 7 minutes handling emails. Absent any automated improvements, which ESD has not included in the implementation of this policy, the estimated 67 minutes per application is assumed to continue.

Using the above assumptions for each grant application, the Claims Center will need 18 Employment Security Benefits Specialist (ESBS) 2's that will need to start 9 months prior to the effective date to support the increase in small employer communications, account reconciliation, and processing small business assistant grants.

8 perm FTE ESBS 2s: These positions will be needed to handle the changes related to removing the small employer reporting requirements and assist in customer service. After 1 year, these positions will transition to working small business grants, because account reconciliation will not be an ongoing workload.

10 perm FTE ESBS 2s to handle the influx of workload related to small business grants and voluntary plan management.

As the small business assistant grants increase the following year, the program will need an additional 5 permanent staff. Based on current staffing structures, these ESBS 2's will be split into two teams.

ESBS 2

- FY25: 18.0 FTE
- FY26: 20.5 FTE
- FY27 and ongoing: 23.0 FTE

Given the above FTEs, current staffing models will indicate that the Paid Leave Claims Center will need to add an additional two Leads, two Supervisors, an Office Assistant, and a Manager prior to the onboarding the additional two teams of the ESBS's 2's. This allows them to support in the hiring process for their teams and allows for time to gain a better understanding of the work so that they can support the teams through the training process.

The Claims Center will need 5 Employment Security Benefits Specialist (ESBS) 3's to support the ESBS 2's, perform quality assurance for small business grant quality assurance checks due to the increased volume, and will act as an appeals specialist for small business grant appeals.

ESBS 3

- FY25: 3.5 FTE
- FY26 and ongoing: 5 FTE

Employment Security Benefits Specialist (ESBS) 4 will manage and support the ESBS 2's

ESBS 4

- FY25 and ongoing: 2 FTE

WMS 1 (Manager) will provide management support related to the increase to the employer team.

WMS 1

- FY25 and ongoing: 1 FTE

An Office Assistant will be needed for the increase in documents received related to small business grants.

Office Assistant 3

- FY25: 0.5 FTE
- FY26 and ongoing: 1 FTE

Total Claims Center cost for FY2025: \$3,103,025
Total Claims Center cost for FY2026: \$3,639,444
Total Claims Center cost for FY2027 and ongoing: \$3,937,746

Actuarial cost (ongoing)

The Office of Actuarial Services will need an Actuarial Analyst 3 starting from the implementation year, to build a model similar to the actuarial model for the Small Business Assistance projections both annually and quarterly.

Actuarial Analyst 3

- FY25: 0.14 FTE
- FY26 and ongoing: 0.29 FTE

Total Actuarial cost for FY2025: \$23,530
Total Actuarial ongoing cost for FY2026 and ongoing: \$48,742

Research cost (ongoing)

The DATA and Research team needs 0.1 FTE of an Economic Analyst who will work with the actuary to provide data team support for new modeling.

Economic Analyst 3

- FY25 and ongoing: 0.1 FTE

Total Research ongoing cost for FY2025 and ongoing: \$15,751

Office of Administrative Hearings

Currently there have been two to five appeals per small business assistance grant application. Based on the increase in volume of grant applications and assuming this rate holds, ESD estimates there to be 225 to 550 appeals per year. Without any additional credible data to adjust the rate otherwise, ESD assumes a middle ground estimate of 350 appeals on average per year.

FY25 = \$250,000

FY26 and ongoing = \$502,000

Total Ongoing cost for FY2025: \$3,392,306
Total Ongoing cost for FY2026: \$4,205,937
Total Ongoing cost for FY2027 and ongoing: \$4,504,239

Total Cost for FY2025: \$848,278 + \$3,392,306 = \$4,240,584
Total Cost for FY2026: \$4,205,937
Total cost for FY2027 and ongoing: \$4,504,239



Multiple Agency Ten-Year Analysis Summary

Bill Number 1959 S HB	Title PFML/small employers
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Office of Administrative Hearings	0	0	0	0	0	0	0	0	0	0	0
Office of Minority and Women's Business Enterprises	0	0	0	0	0	0	0	0	0	0	0
Employment Security Department	0	46,000,000	140,000,000	74,000,000	117,000,000	152,000,000	118,000,000	88,000,000	92,000,000	199,000,000	1,026,000,000
Total	0	46,000,000	140,000,000	74,000,000	117,000,000	152,000,000	118,000,000	88,000,000	92,000,000	199,000,000	1,026,000,000



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 110 Office of Administrative Hearings
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts **Partially Indeterminate Cash Receipts** **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
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Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 1/30/2024 4:13:47 pm
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 1/30/2024 4:13:47 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 147 Office of Minority and Women's Business Enterprises
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Name of Tax or Fee	Acct Code											

Agency Preparation: Ian Shelley	Phone: (360) 407-2243	Date: 2/5/2024 3:13:17 pm
Agency Approval: Ian Shelley	Phone: (360) 407-2243	Date: 2/5/2024 3:13:17 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 540 Employment Security Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
PFML Premium	22F		46,000,000	140,000,000	74,000,000	117,000,000	152,000,000	118,000,000	88,000,000	92,000,000	199,000,000	1,026,000,000
Total			46,000,000	140,000,000	74,000,000	117,000,000	152,000,000	118,000,000	88,000,000	92,000,000	199,000,000	1,026,000,000
Biennial Totals			46,000,000	214,000,000	269,000,000	206,000,000	291,000,000	1,026,000,000				

Narrative Explanation (Required for Indeterminate Cash Receipts)

10-Year Analysis Narrative

SHB 1959 requires small businesses to pay the employer share of the Paid Family Medical Leave premium. Currently, small businesses are exempt. Section 1 of the bill removes the small business exemption for the employer portion of the premium for those employers with fewer than 50 employees, however it still retains the Small Business Assistance (SBA) grants for employers with 150 or fewer employees, and removes language requiring small businesses that receive SBA grants to pay into program for three years following the grant as they now will be required to pay premiums regardless.

With the removal of the small business (employers with less than 50 employees) premium exemption, we expect significant improvement of the financial condition of the program. Meanwhile, the premium rate formula defined in SSB 5286 would result in an “excessive rate” to the public. As a result of SHB 1959, we expect frequent downward adjustment to the calculated rate due to the account balance being higher than the three-months’ reserve. Due to the constant manual rate readjustment, moving to a rate calculation method that is more representative of the expected costs in the rate year could be considered to minimize the frequency of manual changes.

Projections found in the following tables include key inputs impacting the Paid Leave account balance and premium rate setting and are largely based on the projection developed for the November 2023 Actuarial Report for Paid Family & Medical Leave as required by RCW 50A.05.050. Projections used for this analysis included projections for benefit expenses, premium wages, operational expenses, and account balances based on these items. Approved grant applications and average grant cost for FY 2023 were reviewed as this experience period is aligned with the experience period utilized in the November 2023 Actuarial Report.



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 540 Employment Security Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

The baseline projection, including items such as premium exemptions for small employers, benefit expense, and account balance, are included from the November 2023 Actuarial Report for projection years 2024-2027. Because the November 2023 Actuarial Report projection ends in 2027, the projection after 2027 trends items such as premium wages, claims expenses, and operational expenses based on the projected change in 2027 in the Actuarial Report, carrying those changes forward to later years. FY 2023 data for baseline projected approved grants and their cost utilized was used and were trended at 3% per year for the projected grant counts and the cost of grants were held static at \$2,312.50, keeping the mix of grant types the same into the future. It is assumed that the grants projected during the projection period of the November 2023 Actuarial Report would have been included in the expenses assumed as part of that report.

Methods used to estimate SHB 1959 are identical in all aspects to the baseline projection outside of premium received, as premium exemptions are being removed, and the additional operational and grant costs associated with the bill. These changes will also affect the premium rate and account balance over time. SHB 1959 approved grants counts are expected to be tied more closely with claim counts for small employers as the bill creates financial incentive for small employers to file applications, causing increased costs related to the additional grants as well as increased operational costs related to the changes. Premium rates are recalculated for SHB 1959 using the regulatory method established in SSB 5286 including the removal of premium exemptions and additional grant and operational expenses. Projected premiums and fund balance projections incorporate updates to premium rates and expenses, as appropriate. With the removal of the small business (employers with less than 50 employees) premium exemption, we expect significant improvement of the financial condition of the program even after including the additional grant and operational costs for the program. SSB 5286 requires that premium rates are set at a level where the account balance in Q1 following the rate year does not exceed the 3-month reserve as of the premium rate calculation. Because of the improved financial condition and the requirement to cap rates if the projected account balance exceeds the 3-month reserve, the premium rates for rate years 2026-2033 are capped at the minimum needed for the fund balance as of Q1 following the rate year to not exceed the 3-month reserve as of the rate calculation.

Please note the values presented are a projection and include an estimate of the impacts of the changes outlined in SHB 1959 given current data and assumptions and could vary from how data develops over time for a variety of reasons. Summary of the methodology used to obtain the volume and payment estimations of small business assistance grants are as follows.

- FY2023 claims were used as a baseline for assumptions. In FY2023 there were 42,251 claims from employers <50 who would have lost exemption status (less than 50 employees) under SHB 1959. In 2025 we assume 50% of those claims would have an assistance grant associated to them after implementation, increasing to 60% in 2026.
- For example, FY2026, this would result in 23,209 approved small business assistance grants that year for employers sized 0-49. Historical experience indicates there would be 44 grants attached to employers with 50-150 employees. These numbers would not grow significantly as they are already currently paying the employer portion of the premium. The resulting sum of approved small business assistance grants of 23,253 in FY2026.
- Based on program experience for small business assistance grants, the average amount received by recipients of the grant was \$2,312.5.



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 540 Employment Security Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp> .

Narrative Explanation (Required for Indeterminate Cash Receipts)

- 23,253 approved grants x \$2,312.505 = \$53,772,678 in grant payments.

Additional Small Business Assistance (SBA) Grants & Payments

This table reflects the estimated approved grants and the grant costs under the baseline projection, as well as under SHB 1959. Grants and the costs associated with them will increase due to the incentive for small businesses to apply.

Fiscal Year	Baseline Projection: SBA Grants	Baseline Projection: SBA Grant Payments	SHB 1959: SBA Grants	SHB 1959: SBA Grant Payments*	Additional SBA Grants	Additional SBA Grants Payments*	Additional Operational Expenses
FY 24	98	\$225,469	98	\$225,469	-	\$0	\$0
FY 25	101	\$232,406	11,702	\$27,060,875	11,601	\$26,828,469	\$4,240,584
FY 26	104	\$239,344	25,407	\$58,752,531	25,303	\$58,513,188	\$4,205,937
FY 27	107	\$246,281	29,621	\$68,497,406	29,514	\$68,251,125	\$4,504,239
FY 28	110	\$253,219	33,043	\$76,411,938	32,933	\$76,158,719	\$4,504,239
FY 29	113	\$260,156	34,868	\$80,632,250	34,755	\$80,372,094	\$4,504,239
FY 30	116	\$267,094	35,914	\$83,051,125	35,798	\$82,784,031	\$4,504,239
FY 31	119	\$275,188	36,992	\$85,542,844	36,873	\$85,267,656	\$4,504,239
FY 32	123	\$284,438	38,101	\$88,108,563	37,978	\$87,824,125	\$4,504,239
FY 33	127	\$293,688	39,244	\$90,751,750	39,117	\$90,458,063	\$4,504,239

*Due to rounding number may not add precisely in this document

Assessed Premium Revenue (in Millions)

This table reflects the estimated assessed premium under SHB 1959. Assessed premium will differ under SHB 1959 due to the removal of small business exemptions and premium rate changes. The premium revenue shown would reflect any rate adjustments and rate capping that would apply for that year.

Premium Revenue	Baseline Projection	SHB 1959	Revenue Delta Between SHB 1959 and Baseline
FY 24	\$1,643	\$1,643	\$0
FY 25	\$1,866	\$1,912	\$46



Ten-Year Analysis

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Narrative Explanation (Required for Indeterminate Cash Receipts)

FY 26	\$2,224	\$2,346	\$140
FY 27	\$2,350	\$2,424	\$74
FY 28	\$2,403	\$2,520	\$117
FY 29	\$2,570	\$2,722	\$152
FY 30	\$2,824	\$2,943	\$118
FY 31	\$3,094	\$3,182	\$88
FY 32	\$3,349	\$3,441	\$92
FY 33	\$3,575	\$3,773	\$199

Premium Rates

This table depicts the baseline projected premium rates calculated as our current statute stands compared to the introduced policy. Due to the improved financial condition of the program, the 2026-2033 premium rates were adjusted so that the account balance is not materially above the projected 3-month reserve and were capped. The amount the premium rate was adjusted by is included below, with capped years highlighted.

Rate Year	Baseline Premium Rate Projection	SHB 1959 Premium Rate Projection	Delta Between SHB 1959 and Baseline	SHB 1959 Notes
2024	0.74%	0.74%	0.00%	
2025	0.93%	0.93%	0.00%	
2026	0.99%	0.95%	-0.04%	Rate adjusted by 5.9%
2027	0.97%	0.91%	-0.06%	Rate adjusted by 6.62%
2028	0.97%	0.95%	-0.02%	Rate adjusted by 3.16%
2029	1.02%	0.99%	-0.03%	Rate adjusted by 3.35%
2030	1.08%	1.03%	-0.06%	Rate adjusted by 3.4%
2031	1.13%	1.07%	-0.07%	Rate adjusted by 3.37%
2032	1.18%	1.11%	-0.06%	Rate adjusted by 3.36%
2033	1.20%	1.19%	-0.01%	Rate adjusted by 0.84%



Ten-Year Analysis

Bill Number 1959 S HB	Title PFML/small employers	Agency 540 Employment Security Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Account Balance and Target 3-Month Reserve (in Millions)

This table depicts the account balance as of the end of each rate collection year (quarter 1 of each calendar year), the estimated target 3-month reserve (calculated as the 3-month average of the prior 12 months to calculation of the premium rate), and the differences between those two values. A negative value in the difference between these two estimates does not reflect a cash deficit but rather a period in which the account balance fails to reach the targeted 3-month reserve. Highlighted years that have a \$0 difference under SHB 1959 are highlighted because the premium rates were capped in this year so that the account balance would not exceed the target 3-month reserve as described.

Year	3-Month Reserve Target	Baseline Account Balance	SHB 1959 Account Balance	Delta Between SHB 1959 Account Balance and Baseline Account Balance	Delta Between SHB 1959 Account Balance and Reserve
2024	\$360.3	\$21.2	\$4.6	-\$339.1	-\$355.7
2025	\$435.9	\$173.0	\$237.3	-\$262.9	-\$198.6
2026	\$478.3	\$385.0	\$478.3	-\$93.3	\$0
2028	\$570.1	\$427.4	\$570.1	-\$65.7	\$0
2029	\$617.6	\$417.1	\$617.6	-\$142.7	\$0
2030	\$668.0	\$461.9	\$668.0	-\$200.5	\$0
2031	\$722.3	\$526.4	\$722.3	-\$206.1	\$0
2032	\$781.1	\$578.2	\$781.1	-\$202.9	\$0
2033	\$844.6	\$551.9	\$844.6	-\$292.7	\$0

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