

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

## 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
Joint Legislative Audit and Review Committee	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Financial Management	.0	750,000	750,000	750,000	.0	0	0	0	.0	0	0	0
Department of Revenue	.2	57,400	57,400	57,400	.0	0	0	0	.0	0	0	0
Department of Social and Health Services	Fiscal note not available											
Department of Children, Youth, and Families	.0	0	0	0	.0	0	0	0	.0	0	0	0
Employment Security Department	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.2</b>	<b>807,400</b>	<b>807,400</b>	<b>807,400</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	Fiscal note not available								
Department of Children, Youth, and Families	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3973	<b>Date Published:</b> Preliminary 2/13/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Preparation: ALINE MEYSONNAT	Phone: 360-786-5171	Date: 02/06/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/06/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/08/2024

## 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.*

The substitute bill directs the Office of Financial Management (OFM) to facilitate the creation of a report that studies existing employer-provided childcare programs, explores various funding options, and includes recommendations to help support and expand access to childcare and how businesses can be a part of the solution to fund childcare.

The original bill created a requirement for businesses that receive a business and occupation (B&O) tax incentive to provide childcare for their employees established and directed JLARC to review the effectiveness of the change in employer-supported childcare. The current bill does not include a JLARC study.

### 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.*

The current bill does not include a JLARC study, hence there is no fiscal impact.

## 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

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 103-Department of Commerce
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Preparation: JB Bennis	Phone: 2062566153	Date: 02/12/2024
Agency Approval: Tami Clark	Phone: 360-725-2935	Date: 02/12/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/12/2024

## 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 2 is new, and the Department of Commerce (department) will be collaborating with OFM in creating an employer-provided childcare report due by December 31, 2024.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### 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 2, the department will collaborate with OFM to produce a report on employer-supported childcare.

Agency assumptions:

2 FTEs at 50 hours each (100 hours) will collaborate with OFM in FY25 to provide subject matter expert policy advice and consultation, assist in coordination, planning and preparation for the meetings, assist in compiling portions of 6 to 7 different reports, educate the participants and attend meetings.

The staffing costs would amount to \$10,011 in FY25 and could be absorbed within existing workloads and appropriation levels.

## 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

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 105-Office of Financial Management
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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
<b>Account</b>					
General Fund-State      001-1	25,000	725,000	750,000	0	0
<b>Total \$</b>	25,000	725,000	750,000	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Preparation: Keith Thunstedt	Phone: 360-810-1271	Date: 02/08/2024
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 02/08/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/09/2024

## 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.*

The original version of this bill required taxpayers receiving a business and occupation (B&O) tax preference enacted, expanded, or extended on or after January 1, 2025 to provide childcare for children or wards of employees.

This bill (substitute version) directs OFM to facilitate the creation of a report to study existing employer-provided child care programs, funding options, and include recommendations to help support and expand access to child care. OFM must collaborate with the following entities:

- Businesses
- Labor representatives
- Childcare advocates
- Parent groups
- Department of Commerce
- Department of Children, Youth, and Families
- Employment Security Department
- Department of Revenue
- Department of Social and Health Services

The report must evaluate current available information and data including, but not limited to:

- Data and research related to existing employer-supported childcare programs within Washington and in the United States.
- Information regarding the categories of B&O tax incentives provided by the state and the economic impact of a B&O childcare requirement on employers.
- Best practices for employer-supported childcare programs.

The report must also include recommendations for at least three B&O tax preferences that incentivize businesses to provide employer-supported childcare to their employees.

The report is due to the Legislature by December 31, 2024. The effective date of this bill is 90 days after the end of the 2024 Legislative session, June 6, 2024.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### 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.*

Given the effective date of the bill, the short timeline to complete the required work by the due date for the final report, and the overall scope and breadth of the study, it is assumed OFM will require at least \$500,000, and up to \$1,000,000 in funding to hire a consultant to do facilitation, research, and produce the final report. OFM assumes that median point of that range, at \$750,000, one-time, for the study. The timing between the effective date and due date suggests that \$25,000 in funding is need in FY 2024, with the remaining \$725,000 needed in FY 2025.

The \$750,000 funding assumption is based on the requirement to collaborate with multiple entities. The assumption is that the facilitation will be with at least 30 separate entities, as follows:

- 5 state agencies

- 15 businesses
- 2 labor representatives
- 3 childcare advocates
- 5 parent groups

The report is required to contain data and research related to both Washington and US existing childcare programs, researching childcare programs nationwide will take significantly more effort than looking at only Washington State childcare programs.

Identifying the categories of existing B&O tax incentives provided by the state and calculating the economic impact of a B&O childcare requirement on the state is expected to be challenging and expensive work.

### 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	25,000	725,000	750,000	0	0
<b>Total \$</b>			25,000	725,000	750,000	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	25,000	725,000	750,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	25,000	725,000	750,000	0	0

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

NONE

#### III. D - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

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

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2		
<b>Account</b>					
GF-STATE-State 001-1		57,400	57,400		
<b>Total \$</b>		57,400	57,400		

**Estimated Capital Budget Impact:**

NONE

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- 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: Kristina King	Phone: 60-786-7190	Date: 02/05/2024
Agency Preparation: Taylor Culp	Phone: 60-534-1511	Date: 02/12/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/12/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

Request # 2322-3-2

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects a revision to the revenue impact, and replaces fiscal note number 2322-2.

Note: This fiscal note reflects language in SHB 2322, 2024 Legislative Session.

#### COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL BILL:

The substitute bill creates a new section in the Office of Financial Management (OFM) to facilitate the creation of a report requiring collaboration with multiple agencies and lists the requirements of the report.

The substitute removes the following requirements:

- Payments or reimbursements to employees for at least 25% of childcare expenses and paying into the Fair Start for Kids Account.
- Payments equal to 5% of annual total compensation, including benefits, of employees earning \$250,000 or more. The payment must be made at the same time as filing the excise tax return.
- If the employer has a collective bargaining agreement excluding childcare, the employer is exempt from the changes in this bill.
- The first time a taxpayer does not certify compliance with these requirements, the Department of Revenue (department) must assess 35% of the tax preference amount. Each additional violation results in an assessment of 50% of the preference amount. For tax deferrals, the assessment equals the amount of deferred tax divided by the number of years in the repayment period.

#### CURRENT LAW:

No requirement exists to provide childcare, childcare reimbursements, or funding for the Fair Start for Kids Account for taxpayers benefitting from business and occupation (B&O) tax preferences.

#### PROPOSAL:

This bill creates a new section in the Office of Financial Management (OFM) to facilitate the creation of a report in collaboration with businesses, labor, representatives, childcare advocates, parent groups, legislators, and state agencies, including, but not limited to:

- The Department of Commerce
- The Department of Children, Youth, and Families
- The Employment Security Department
- The Department of Revenue
- The Department of Social and Health Services.

The report must study existing employer-provided childcare programs, explore various funding options, and include recommendations to help support and expand access to childcare and how businesses can be a part of the solution to funding childcare.

The report must evaluate current available information and data including, but not limited to:

- Data and research related to existing employer-supported childcare programs within Washington and in the United States.
- Information regarding the categories of business and occupation tax incentives and the economic impact of a business and occupation childcare requirement on employers.
- Best practices for employer-supported childcare programs.

OFM must report its findings and recommendations to the appropriate legislative committees by December 31, 2024. The report must include recommendations for at least three business and occupation tax preferences that incentivize businesses to provide employer-supported childcare to their employees.

Employer-supported childcare includes:

- An employer-operated licensed childcare center at or near the workplace to benefit employees.
- Financial assistance an employer provides for licensed childcare expenses incurred by an employee.
- An annual payment to a state fund supporting childcare provisions for all parents in Washington, such as the Fair Start for Kids Account.

EFFECTIVE:

The bill takes effect 90 days after the final adjournment of the session.

## **II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

This legislation results in no revenue impact on taxes administered by the department.

## **II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$57,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.4 FTE.

- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Provide interpretation and analysis of new laws for internal use during the implementation process.

Object Costs - \$1,200.

- Training
- Travel
- Software

ONGOING COSTS:

There are no ongoing costs.

### Part III: Expenditure Detail

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2		
A-Salaries and Wages		35,400	35,400		
B-Employee Benefits		11,600	11,600		
E-Goods and Other Services		7,300	7,300		
G-Travel		300	300		
J-Capital Outlays		2,800	2,800		
<b>Total \$</b>		\$57,400	\$57,400		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
TAX POLICY SP 3	88,416		0.4	0.2		
<b>Total FTEs</b>			0.4	0.2		

#### III. C - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

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

NONE

#### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

### Part V: New Rule Making Required



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 307-Department of Children, Youth, and Families
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Preparation: Melissa Jones	Phone: (360) 688-0134	Date: 02/08/2024
Agency Approval: Sarah Emmans	Phone: 360-628-1524	Date: 02/08/2024
OFM Review: Carly Kujath	Phone: (360) 790-7909	Date: 02/08/2024

## 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.*

Comparison of 2322 HB to 2322 SHB:

The substitute bill removes the child care requirement for B&O tax preferences and instead requires a report from Office of Financial Management (OFM).

Section 1 adds language to include child care is more expensive than college.

Section 2 removes the new section adding child care requirement for B&O tax preferences to RCW 82.04, and replaces with subsections below:

Section 2(1) directs the OFM to facilitate a report in collaboration with businesses, labor representatives, child care advocates, parent groups, legislators, and state agencies, and including but not limited to the Department of Commerce, Department of Children, Youth, and Families (DCYF), Employment Security Department, Department of Revenue, and Department of Social and Health Services.

Section 2(2) outlines the requirements of the study to include existing employer-provided child care programs, explore various funding options, and how businesses can be part of the solution to fund child care.

Section 2(3) the report must evaluate (a) data and research within Washington and the United States (b) B&O tax incentives and economic impact of businesses and (c) best practices for employer-supported child care programs.

Section 2(4) requires the report to be submitted by December 31, 2024, and the report must include recommendations for at least three B&O tax preferences that incentivize businesses to provide employer-supported child care to their employees.

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2322HB

Section 1 contains intent language.

Section 2 is a new section added to RCW 82.04 creating certain conditions under which employers may receive business and occupation (B&O) tax preferences.

Section 2(1) Stipulates that a taxpayer receiving a B&O tax preference must provide child care for employee's children with a timeline of after January 1, 2025.

Section 2(2) provides specific options for taxpayers. (a) operation/maintenance of on-site child care center at a discounted rate. (b) payments or reimbursement to employees for a minimum of 25% of child care costs. (c) for taxpayers with at least one employee with a salary of \$250k or more, the employer may make an annual payment to the fair start for kids account. (c)(i), (ii), (iii) outlines requirements for the payment to the FSKA account which is 5% of total compensation of all employees with a salary of \$250k or more, and timelines for tracking the compensation to be used.

Section 2(3) exempts employers who are party to a collective bargaining agreement and the agreement does not include child care as a requirement.

Section 2(4) outlines requirements for employers to verify compliance via certificate to the Department of Revenue.

Section 2(5) outlines requirements for repayment of the preference and creates penalties when a taxpayer does not provide the certificate or required payment.

Section 2(6) requires the Department of Revenue to adopt rules.

Section 3, (1) and (2) establishes a requirement that the joint legislative audit and review team provide a review of the effectiveness of the change in employer-supported childcare in Washington by January 1, 2031.

Section 3(3) and subsections, outline the requirements for the report that must include: The number of: businesses and occupation taxpayers in the state that add childcare benefits, the number of businesses and occupation taxpayers who forego taking the tax preference rather than providing child care, the amount of revenue deposited into the FSKA account, and the most common form of child care taxpayers provide to their employees.

Section 3(4) provides authority to the joint legislative audit committee to use any data collected by the state.

## **II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

none.

## **II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

No fiscal impact. DCYF assumes contribution to the required report from OFM to be within current capacity.

## **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

<b>Bill Number:</b> 2322 S HB	<b>Title:</b> Child care/tax preferences	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

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: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Preparation: Adam Oskvig	Phone: 360-763-2919	Date: 02/08/2024
Agency Approval: Lisa Henderson	Phone: 360-902-9291	Date: 02/08/2024
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 02/08/2024

## 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.*

The original bill set up a tax incentive program for employers who assist their employees with obtaining childcare. The substitute bill omits the tax incentive program and requires OFM to create a report on employer-assisted childcare.

This bill requires the Office of Financial Management to create a report on employer-provided childcare programs, in collaboration with other agencies, including Employment Security Department (ESD). ESD already has a data sharing agreement with Office of Financial Management; at most, a new statement of work may need to be added to the existing agreement. This work can be absorbed by current resources; therefore, this bill has no fiscal impact to ESD.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

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

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

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

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

## **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 2322 S HB

**Title:** Child care/tax preferences

**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

## Legislation Impacts:

- Cities:
- Counties:
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

None

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/09/2024
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 02/05/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/09/2024
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 02/09/2024



## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

Note: This fiscal note reflects language in SHB 2322, 2024 Legislative Session.

#### CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

- removes the childcare requirement for B&O tax preferences
- directs the Office of Financial Management to facilitate the creation of a report in collaboration with businesses, labor representatives, childcare advocates, parent groups, legislators, and state agencies to study existing employer-provided childcare programs, explore various funding options, and include recommendations to help support and expand access to childcare and how businesses can be a part of the solution to fund childcare, including at least three B&O tax preferences that incentivize businesses to provide employer-supported childcare to their employees
- requires the report to be submitted by December 31, 2024

#### SUMMARY OF CURRENT BILL:

This bill directs the Office of Financial Management to facilitate the creation of a report and recommendations on policy options that incentivize employer supported child care.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

#### CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

This substitute bill removes the requirement that any local government receiving a business and occupational tax preference is required to provide childcare for children or wards of employees, unless the the employer has a collective bargaining agreement excluding childcare. This substitute bill eliminates the administrative costs in addition to the cost of childcare reimbursement to employees.

#### EXPENDITURE IMPACTS OF CURRENT BILL:

This bill would not impact local government expenditures because no action is required.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

#### CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

The changes in the substitute version do not create any new fiscal impacts to local government revenues.

#### REVENUE IMPACTS OF CURRENT BILL:

This bill would not impact local government revenues.

#### SOURCES:

Department of Revenue fiscal note, SHB 2322

House Bill Analysis, HB 2322, Finance Committee (01/23/2024)

House Bill Report, HB 2322, Finance Committee (02/05/2024)