

Multiple Agency Fiscal Note Summary

Bill Number: 2405 HB	Title: WSIB sustainability factors
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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
State Investment Board	0	0	638,000	0	0	1,082,000	0	0	1,082,000
Total \$	0	0	638,000	0	0	1,082,000	0	0	1,082,000

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 State Auditor	.0	0	0	0	1.5	0	0	294,602	3.0	0	0	491,003
State Investment Board	1.1	0	0	638,000	2.3	0	0	1,082,000	2.3	0	0	1,082,000
Total \$	1.1	0	0	638,000	3.8	0	0	1,376,602	5.3	0	0	1,573,003

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Auditor	.0	0	0	.0	0	0	.0	0	0
State Investment Board	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Final 3/ 4/2024
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Individual State Agency Fiscal Note

Bill Number: 2405 HB	Title: WSIB sustainability factors	Agency: 095-Office of State Auditor
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Part I: Estimates

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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	0.0	0.0	1.5	3.0
Account					
Performance Audits of Government Account-Non-Appropriated 553 -6	0	0	0	294,602	491,003
Total \$	0	0	0	294,602	491,003

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:

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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.

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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: David Pringle	Phone: 360-786-7310	Date: 01/17/2024
Agency Preparation: Charleen Patten	Phone: 564-999-0941	Date: 01/22/2024
Agency Approval: Janel Roper	Phone: 564-999-0820	Date: 01/22/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

Part II: Narrative Explanation

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

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

Section 5 directs the State Auditor's office to conduct a comprehensive evaluation of the Washington State Investment Board's proxy voting guidelines on climate risks and deliver a report to the legislature. The evaluation should include the conformance with guidelines adopted in RCW 43.33A.140 (3) and the voting guidelines. Section 5 also outlines the report requirements.

The evaluation is due by December 1, 2027 and every two years thereafter.

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 work would be funded through the Performance Audits of Government Account which relies on a dedicated portion of sales tax revenue. Therefore, no cash receipts impact.

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.

3,000 SAO staff hours are estimated to complete the work outlined in Section 5. This includes 2100 hours for staff at the performance auditor level, 750 hours for a senior performance auditor and 150 hours of oversight for a principal performance auditor. This reflects our management team's best estimate of what it would take to conduct a performance audit considering the required evaluation.

This work is estimated to start in January 2027 and be completed by December 1, 2027. As this audit work is ongoing and will repeat every two years, work is estimated to start again in January 2029.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-6	Performance Audits of Government Account	Non-Appropriated	0	0	0	294,602	491,003
Total \$			0	0	0	294,602	491,003

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				1.5	3.0
A-Salaries and Wages				205,524	342,540
B-Employee Benefits				61,478	102,463
C-Professional Service Contracts					
E-Goods and Other Services				27,600	46,000
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-					
Total \$	0	0	0	294,602	491,003

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
Admn/Overhead/Mgmt	101,985				0.2	0.3
Performance Auditor 3	113,712				0.9	1.8
Principal Performance Auditor	138,185				0.1	0.2
Senior Performance Auditor	124,453				0.4	0.7
Total FTEs					1.5	3.0

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.

Individual State Agency Fiscal Note

Bill Number: 2405 HB	Title: WSIB sustainability factors	Agency: 126-State Investment Board
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
State Investment Board Expense Account-State 031-1		638,000	638,000	1,082,000	1,082,000
Total \$		638,000	638,000	1,082,000	1,082,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	2.3	1.1	2.3	2.3
Account					
State Investment Board Expense Account-State 031-1	0	638,000	638,000	1,082,000	1,082,000
Total \$	0	638,000	638,000	1,082,000	1,082,000

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:

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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: David Pringle	Phone: 360-786-7310	Date: 01/17/2024
Agency Preparation: Celina Verme	Phone: (360) 956-4740	Date: 03/01/2024
Agency Approval: Allyson Tucker	Phone: 360-956-4710	Date: 03/01/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 03/04/2024

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.

This proposed legislation, relating to Sustainability Factors in Investment Strategies and Proxy Voting, amends RCW 43.33A.110, 43.33A.140, and 43.33A.150, and adds a new section to Chapter 43.09 RCW.

Section 2 – Requires the Washington State Investment Board (WSIB) to integrate sustainability factors into investment decision-making and analysis, portfolio construction, due diligence, and investment ownership. The WSIB must strive to incorporate a list of specified factors when updating and reviewing existing sustainability frameworks.

Section 3 – Directs the WSIB to maintain proxy voting guidelines that recognize climate change as a business and systematic risk and use ownership authority to mitigate these risks. It also states that the WSIB should support shareholder resolutions that call for entities to reduce activities that contribute to climate change. When the WSIB does not support such resolutions, it must provide public, written comments as to why the agency chose not to support them.

Section 4 – Requires an annual report on the environmental sustainability of the WSIB’s investment decision-making process.

Section 5 – Calls for the State Auditor to conduct a comprehensive evaluation of the WSIB’s proxy voting guidelines every two years, beginning December 2027.

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.

The WSIB’s operating expenses are funded based on a formula established by statute. Accordingly, each investment fund managed by the WSIB pays a proportional share of the WSIB’s operating costs based on the value of the assets in the fund.

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 WSIB has been implementing an integrated approach to sustainability factors for decades, including the introduction of an investment belief related to sustainability in 2014. The agency looks at a wide range of investment factors that could impact returns across our long-term investment horizon, including sustainability factors. The WSIB also currently maintains a proxy voting and reporting program. The WSIB anticipates the following costs associated with the specific additional requirements associated with sustainability factors and proxy voting:

Staffing:

- 0.75 Investment Officer FTE on the Institutional Relations team to document and report on the agency’s integration of the full list of sustainability factors into the WSIB’s investment decision making and analysis, portfolio construction, due diligence, and investment ownership. This Investment Officer would also analyze the direct impacts and risks of the agency’s approach to sustainability, including legal, regulatory, and policy impacts.
- 0.50 Assistant Investment Officer FTE on the Investment Data team to oversee the creation of a database that would store the analysis of sustainability factors for external reporting.

- 1.0 Assistant Investment Officer FTE to enhance the compliance and reporting components of proxy voting, as well as communication-related functions. This role would provide research support during the proxy season, support data capture and reporting on shareholder proposals, and fulfill the request to provide memos on climate-related resolutions. This position would also help with enhanced public-facing reporting in the off-season.

Goods and Services, Travel, and Equipment:

Associated costs for goods and services, travel, and equipment are included based on the addition of FTEs noted above.

Except for interview/moving expenses, and equipment purchases to accommodate new positions, these costs are ongoing.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
031-1	State Investment Board Expense Account	State	0	638,000	638,000	1,082,000	1,082,000
Total \$			0	638,000	638,000	1,082,000	1,082,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.3	1.1	2.3	2.3
A-Salaries and Wages		352,000	352,000	704,000	704,000
B-Employee Benefits		90,000	90,000	180,000	180,000
C-Professional Service Contracts					
E-Goods and Other Services		66,000	66,000	132,000	132,000
G-Travel		96,000	96,000	54,000	54,000
J-Capital Outlays		34,000	34,000	12,000	12,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	638,000	638,000	1,082,000	1,082,000

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
Assistant Investment Officer	134,868		1.5	0.8	1.5	1.5
Investment Officer	199,000		0.8	0.4	0.8	0.8
Total FTEs			2.3	1.1	2.3	2.3

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.