# Individual State Agency Fiscal Note

| Bill Number: 5292 S SB | Title: Family & medical leave rates | Agency: 540-Employment Security Department |
|---|---|---|

## Part I: Estimates

☐ **No Fiscal Impact**

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

**Estimated Operating Expenditures from:**

| | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|---|---|---|---|---|---|
| FTE Staff Years | 0.0 | 0.5 | 0.3 | 1.0 | 1.0 |
| **Account** | | | | | |
| Family and Medical Leave Insurance Account-State 22f-1 | 0 | 170,445 | 170,445 | 561,784 | 561,784 |
| **Total $** | 0 | 170,445 | 170,445 | 561,784 | 561,784 |

**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: | Susan Jones | Phone: 360-786-7404 | Date: 02/21/2025 |
| Agency Preparation: | Thomas Cooper | Phone: 360 890 3500 | Date: 02/25/2025 |
| Agency Approval: | Lisa Henderson | Phone: 360-902-9291 | Date: 02/25/2025 |
| OFM Review: | Anna Minor | Phone: (360) 790-2951 | Date: 02/25/2025 |

## 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.*

SB 5292 adjusts the Paid Leave premium rate from a calculation based on historical experience to a forward-looking rate set in the Annual Actuarial Report. It reinstates the 1.2% premium cap eliminated in the prior version. The actuarial rate must be the lowest rate necessary to maintain solvency, limit fluctuations, and close the 2030 rate collection year with at least a three-month reserve. The reserve has been adjusted to be based on the projected expenses in the next year rather than a historical look of the past year's expenses. Effective 01/01/2027, this would begin with the 2028 rate, and continue thereafter, giving ESD three years to establish the reserve.

Section by Section Summary

Sec. 1. – Amends RCW 50A.10.030(6) establishing that the Commissioner must annually set the total premium rate based on the annual report provided pursuant to RCW 50A.05.050 from the office of actuarial services created in RCW 50A.05.130.

Sec. 2 – Amends RCW 50A.05.050 (2)(a) - Removes the November 1st annual reporting deadline to the advisory committee.

Sec. 2 – RCW 50A.05.050 (2)(a)(ii) Adds language that requires ESD to close the 2030 rate collection year, and each year thereafter, with a three-month reserve.

Sec. 2 – RCW 50A.05.050 (2)(c) Defines "three-month reserve" as the average monthly expenses, using actuarial projections for the following calendar year, multiplied by three where expenses are defined as the total amount of benefits paid and the department's administrative costs.

Sec. 3 – Sets the effective date of January 1, 2027.

Impact Summary

Effective 1/1/27, therefore the 2028 rate will be the first rate set under actuarial principals.

Actuarial rate must be the minimum rate necessary to maintain solvency AND establish a 3-month reserve at the end the rate collection year.

ESD has three years to establish the 3-month reserve. 2028 is the first actuarial rate but the 3-month reserve as the reserve has until the end of rate collection year of 2030 to be fully established.

Implementation narrative

This bill does not call for any additional data or reporting but rather the rate will be developed out of the existing report outlined in RCW 50A.05.050 establishing the Actuarial Annual Report through 2028. However, given the shift in responsibilities of rate setting from a formula to the actuarial rate methodology this report will need to support this added responsibility. This bill also does not require any technical adjustments to employer reporting or premium collections.

The Office of Actuarial Services will require 1.0 on-going FTE as an actuary 3 to perform the following tasks:

Review rate methods and engage in peer reviews to comply with current actuarial standards of practice.
Improvements to actuarial rate setting model in the actuarial report for accuracy, analyze the impacts of those changes,

stress test the results, and expand justifications around model assumptions.
Communicate rate methodology, model, assumptions, risks to solvency, and maintenance of the three-month reserve to key stakeholder groups such as legislators, staff, and advisory members.
Provide leadership related to actuarial price model to actuarial team regarding program solvency and risk.

**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.*

Cash receipts and revenue are indeterminant. While both SB 5292 and SSB 5292 move to an actuarial rate setting model aimed at establishing a three-month reserve, SSB 5292 differs from the original bill in that it reinstates the 1.2% premium rate cap. Under current program parameters, maintaining this cap and establishing a three-month reserve are mutually exclusive. The account cannot establish a reserve while the program is capped at 1.2% without making other changes to the program. The tables attached provide further details.

**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.*

Labor Market Information and Research Division (LMIR)
Sections of the Bill:1, 2
Existing role of actuarial report is focused on monitoring, forecasting, and financial reporting. With the implementation of the bill, the roles and responsibilities of the actuarial office will shift to include full responsibility for rate setting, with accuracy becoming the top priority. An additional amount of testing is needed to ensure that key assumptions are solid and consistent across various economic conditions or hold for unexpected events. This work will ensure transparency and build trust for our future work towards maintain solvency and limiting fluctuations in the premium rate

LMIR ongoing costs
FY27 Actuary 3 - 0.5 FTE
FY28 and ongoing: Actuary 3 - 1 FTE

$30,000 during FY27 for minor rule making.

# Part III: Expenditure Detail

**III. A - Operating Budget Expenditures**

| Account | Account Title | Type | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|---|---|---|---|---|---|---|---|
| 22f-1 | Family and Medical Leave Insurance Account | State | 0 | 170,445 | 170,445 | 561,784 | 561,784 |
| | | **Total $** | 0 | 170,445 | 170,445 | 561,784 | 561,784 |

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

| | FY 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|---|---|---|---|---|---|
| FTE Staff Years | | 0.5 | 0.3 | 1.0 | 1.0 |
| A-Salaries and Wages | | 80,091 | 80,091 | 320,364 | 320,364 |
| B-Employee Benefits | | 32,036 | 32,036 | 128,146 | 128,146 |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | | 37,575 | 37,575 | 30,300 | 30,300 |
| 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 | | 20,743 | 20,743 | 82,974 | 82,974 |
| 9- | | | | | |
| **Total $** | 0 | 170,445 | 170,445 | 561,784 | 561,784 |

**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 2026 | FY 2027 | 2025-27 | 2027-29 | 2029-31 |
|---|---|---|---|---|---|---|
| ACTUARY 3 | 160,182 | | 0.5 | 0.3 | 1.0 | 1.0 |
| **Total FTEs** | | | 0.5 | 0.3 | 1.0 | 1.0 |

**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.*

Changes to WAC 192-510-090, which changes how the premium rate is calculated.

Minor rulemaking takes place 6 months prior to implementation. With the 2028 rate being the first year calculated under this bill, rulemaking would need to begin March 2027 to conclude by September 2027 when the new rate for the following year is released.

| Premium Rate Projections | | | |
|---|---|---|---|
| Rate Year | Baseline Projection (with 1.2% cap) | SSB 5292 Projection (with 1.2% cap) | SSB 5292 Projection (no cap) |
| 2025 | 0.92% | 0.92% | 0.92% |
| 2026 | 1.15% | 1.15% | 1.15% |
| 2027 | 1.20%* | 1.20%* | 1.20%* |
| 2028 | 1.16% | 1.20%* | 1.22% |
| 2029 | 1.19% | 1.20%* | 1.26% |
| 2030 | 1.20%* | 1.20%* | 1.28% |
| 2031 | 1.20%* | 1.20%* | 1.31% |
| 2032 | 1.20%* | 1.20%* | 1.32% |
| 2033 | 1.20%* | 1.20%* | 1.33% |
| 2034 | 1.20%* | 1.20%* | 1.33% |

Given the January 1, 2027, effective date, 2028 would be the first year under this bill that would utilize the new rate methodology. The baseline and SSB 5292 are both subject to a cap and reach the 1.2% cap by 2030 and stay at this level moving forward. Without the cap, under current program experience the uncapped premium rate version of SSB 5292 stabilizes around 1.33%.

This bill allows ESD to establish a three-month reserve by the end of rate collection year 2030. However, these scenarios show that in either the baseline or the SS 5292 projections the program will never establish a three-month reserve when subject to a 1.2% rate cap. In order to establish a three-month reserve, the rates would need to exceed the 1.2% to the level shown above. The table below shows the account balance's share of the estimated three-month reserve at the end of the rate collection year under the different rate structures noted above.

| % of Three-Month Reserve Established | | | |
|---|---|---|---|
| Rate Year | Baseline Projection (with 1.2% cap) | SSB 5292 Projection (with 1.2% cap) | SSB 5292 Projection (no cap) |
| 2025 | -32% | -32% | -32% |
| 2026 | 33% | 33% | 33% |
| 2027 | 82% | 82% | 82% |
| 2028 | 80% | 83% | 90% |
| 2029 | 64% | 71% | 98% |
| 2030 | 38% | 49% | 101% |
| 2031 | 4% | 18% | 102% |
| 2032 | -32% | -16% | 102% |
| 2033 | -70% | -51% | 102% |
| 2034 | -105% | -86% | 101% |

In addition to having trouble establishing a three-month reserve, the following table shows that in either scenario with a 1.2% cap the Paid Leave account would be at risk of solvency starting in 2031 under baseline projections and 2032 under actuarial rate setting methodology outlines in SSB 5292.

| Account Balance at the End of the Rate Collection Year | | | |
|---|---|---|---|
| Rate Year | Baseline Projection (with 1.2% cap) | SSB 5292 Projection (with 1.2% cap) | SSB 5292 Projection (no cap) |
| 2025 | -$148 | -$148 | -$148 |
| 2026 | $182 | $182 | $182 |
| 2027 | $511 | $510 | $510 |
| 2028 | $560 | $676 | $734 |
| 2029 | $502 | $653 | $898 |
| 2030 | $339 | $494 | $1,009 |
| 2031 | $40 | $198 | $1,109 |
| 2032 | -$344 | -$182 | $1,195 |
| 2033 | -$802 | -$640 | $1,275 |
| 2034 | -$1,299 | -$1,137 | $1,348 |