

Individual State Agency Fiscal Note

Bill Number: 5292 2S 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:

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: Josh Hinman	Phone: 3607867281	Date: 01/27/2026
Agency Preparation: Thomas Cooper	Phone: 360 890 3500	Date: 01/29/2026
Agency Approval: Lisa Henderson	Phone: 360-902-9291	Date: 01/29/2026
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 01/29/2026

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 only change in the 2SSB 5292 that was not in SSB 5292 is that the title changed. 2SSB 5292 added a statement that this bill is modifying of the paid family and medical leave rate calculation without increasing the total premium rate above the 1.20% maximum.

2SSB 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 1.20% premium cap eliminated in the prior version. It states actuarial rate must be the lowest rate necessary to maintain solvency, limit fluctuations, and close the 2030 rate collection year with at least a four-month reserve. This an increase from the prior version which set the reserve at a three-month reserve. Additionally, the reserve has been adjusted based on the projected expenses in the next year rather than a historical look of the past year's expenses. Effective January 1, 2028, this would begin with the 2029 rate, and continue thereafter, giving ESD two years to establish the reserve.

This would address recommendations from the Joint Legislative Audit and Review Committee (JLARC) audit concluding in December, 2024 of the Paid Leave program which states, "implement a forward-looking rate-setting approach that maintains a sufficient financial reserve for the Paid Family Medical Leave (PFML) program".

Section 1 states 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 and reinstates that the premium rate must not exceed 1.20%.

Section 2 removes the November 1st annual reporting deadline to the advisory committee, provides a definition of the reserve to be set using actuarial projections, and adds additional language setting the rate to close the 2030 rate collection year and each year after with a four-month reserve

Section 3 sets the effective date of January 1, 2028.

Employment Security assumes the following:

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, which was established in 2026.

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.

2SSB 5292 has made no changes that would impact cash revenue or premium collections. Both 2SSB 5292 and SSB 5292 move to an actuarial rate setting model aimed at establishing a reserve. Under current program parameters, maintaining this cap and establishing a four-month reserve are mutually exclusive. The account cannot establish a reserve while the program is capped at 1.20% without making other changes to the program.

See attached "2SSB 5292 Tables" that depict the following scenarios to illustrate the rates necessary to establish a four-month reserve or the level of the four-month reserve under the 1.20% rate cap.

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.

Employment Security assumes this to be carried out within existing resources. However, this puts additional responsibilities of rate setting on the office of actuarial services in the department and additional resources may be requested in subsequent decision packages. It will require some additional rulemaking regarding the rate, solvency, and the reserve. Under current program parameters, maintaining this cap and establishing a four-month reserve are mutually exclusive. The account cannot establish a reserve while the program is capped at 1.20% without making other changes to the program.

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.

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 2029 rate being the first year calculated under this bill, rulemaking around the rate and reserve would need to begin March 2028 to conclude by September 2028 prior to the release of the new rate in the following year.

The tables below depict the following scenarios to illustrate the rates necessary to establish a reserve or the level of the reserve under the 1.20% rate cap:

- **Baseline Projection:** Rates are calculated using existing RCW, which includes the statutory requirement of the rate not exceeding 1.20% and a minimum rate necessary to not exceed a four-month reserve.
- **2SSB 5292 (with 1.20% cap):** Rates are calculated using actuarial principles based on the effective dates laid out in 2SSB 5292, including the 1.20% premium rate cap.
- **2SSB 5292 (no cap):** Rates are calculated using actuarial principles based on the effective dates laid out in 2SSB 5292 but differs by removing the 1.20% premium rate cap to illustrate the rate necessary to achieve a four-month reserve.

A clerical error was made when developing the tables for the prior version of this bill. The estimates were correct, but the years were off by one. For example, what was listed as 2025 was actually 2026 in the prior fiscal note. The following tables accurately reflect the corrected years.

Premium Rate Projections			
Rate Year	Baseline Projection (1.20% cap)	2SSB 5292 Projection (1.20% cap)	2SSB 5292 Projection (no premium rate cap)
2026	1.13%	1.13%	1.13%
2027	1.20%*	1.20%*	1.20%
2028	1.20%*	1.20%*	1.20%
2029	1.20%*	1.20%*	1.79%
2030	1.20%*	1.20%*	1.80%
2031	1.20%*	1.20%*	1.68%
2032	1.20%*	1.20%*	1.79%
2033	1.20%*	1.20%*	1.88%
2034	1.20%*	1.20%*	1.99%
2035	1.20%*	1.20%*	2.08%

*Indicates a year where the rate reaches the cap but does not achieve a reserve.

Given the January 1, 2028, effective date, 2029 would be the first year under this bill that would utilize the new rate methodology. The baseline and 2SSB 5292 are both subject to a cap and reach the 1.20% cap by 2030 and stay at this level moving forward. Without the cap, under

current program experience the uncapped premium rate version of 2SSB 5292 would continue to grow to around 2%. However, projections become less precise the farther out they are estimated.

Under the estimated premium rates shown in the table above, the following table shows that in either scenario with a 1.20% cap the Paid Leave account will continue to experience periods of insolvency, growing over the 10-year projections as the premium rate cannot keep up with the program expenditures driven by program growth unrelated to 2SSB 5292.

Account Balance at the End of the Rate Collection Year			
Rate Year	Baseline Projection* (1.20% cap)	2SSB 5292 Projection* (1.20% cap)	2SSB 5292 Projection* (no premium rate cap)
2026	-\$81.5	-\$81.5	-\$81.5
2027	-\$61.5	-\$61.5	-\$61.5
2028	-\$341.8	-\$341.8	-\$341.8
2029	-\$983.6	-\$983.6	\$650.5
2030	-\$1,964.0	-\$1,964.0	\$1,463.4
2031	-\$3,313.4	-\$3,313.4	\$1,635.0
2032	-\$5,042.2	-\$5,042.2	\$1,829.4
2033	-\$7,184.6	-\$7,184.6	\$1,989.9
2034	-\$9,743.4	-\$9,743.4	\$2,208.0
2035	-\$12,767.3	-\$12,767.3	\$2,400.7

*Dollars are in Millions

Additionally, the program will not be able to establish a reserve. This bill allows Employment Security to establish a four-month reserve by the end of rate collection year 2030. However, these scenarios show that in either the baseline or the 2SSB 5292 projections the program will never establish a reserve when subject to a 1.20% rate cap. To establish a four-month reserve, the rates would need to exceed the 1.20% to the level shown in the model with no premium rate cap. The table below shows the account balance's share of the estimated reserve at the end of the rate collection year under the different rate structures noted above. While the account balance between the baseline and 2SSB 5292 with a 1.20% premium rate cap remains the same, resulting in an account balance that mirrors one another, the table below shows that variation between the models as it relates to the different levels of the reserve. Currently RCW allows for a three-month reserve whereas 2SSB 5292 moves to a four-month reserve.

Percent of Reserve Established			
Rate Year	Baseline Projection (1.20% cap)	SSB 5292 Projection (1.20% cap)	SSB 5292 Projection (no premium rate cap)
2026	-15%	-15%	-15%
2027	-10%	-10%	-10%
2028	-47%	-47%	-47%
2029	-119%	-76%	50%
2030	-209%	-135%	100%
2031	-312%	-204%	100%
2032	-425%	-280%	102%
2033	-546%	-361%	100%
2034	-670%	-448%	101%
2035	-800%	-536%	101%