

**BRIEF SUMMARY OF
ESTIMATED EXPENDITURES RELATED TO PREMIUM ASSESSMENT**

E2SSB 5659, as heard by the House Commerce and Labor Committee on March 20, 2007, provided for assessment of premiums of 2 cents per hour worked per individual. (E2SSB 5659, as enacted, did not include this provision.) Below is a brief summary of one-time and on-going costs related to premium assessment as described in the Fiscal Note dated March 20, 2007.

One-Time Costs

IT System Development <ul style="list-style-type: none"> ▪ Estimate may be low because it may not include all systems related to premium assessment. ▪ Estimate may be high because it assumes that all hours are done by contract programmers. 	\$10,270,100
TOTAL	\$10,270,100

On-Going Costs

Other Misc. and IT Costs <ul style="list-style-type: none"> ▪ Estimate may be low because it may not include all other miscellaneous and IT costs related to premium assessment. (Estimate is for lock-box fees only -- \$361,000 per year -- starting January 1, 2009.) 	\$180,500 (2007-09 biennium) \$722,000 (2009-11 biennium)
FTE and Operating Costs <ul style="list-style-type: none"> ▪ Estimate is low because it does not include employee benefits and agency standard costs associated with new FTEs. 	\$322,274 (2007-09 biennium) \$781,344 (2009-11 biennium)
Fraud Prevention and Compliance <ul style="list-style-type: none"> ▪ Estimate of \$77,076 per year in salaries is included in FTE and Operating Costs above. ▪ Estimate is low because it does not include employee benefits and agency standard costs associated with new FTEs. 	See above
Administrative Services Program <ul style="list-style-type: none"> ▪ Estimate of \$75,192 per year in salaries is included in FTE and Operating Costs above. ▪ Estimate is low because it does not include employee benefits and agency standard costs associated with new FTEs. 	See above
TOTAL¹	\$502,774 (2007-09 biennium) \$1,503,344 (2009-11 biennium)

¹ These totals do not include costs for all categories of expenditures. The Fiscal Note contains estimates for the following additional categories of expenditures: Rules and Printing Costs; Assistant Attorney General Legal Support; Office of Administrative Hearings; Employment Standards; Public Affairs Outreach; Office Space; and Indirect allocation Included in Costs Estimates. Within some of these categories, there may be additional costs related to premium assessment

Prepared For: Joint Legislative Task Force on Family Leave Insurance
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The Individual State Agency Fiscal Note prepared by the Department of Labor and Industries and dated March 20, 2007, included some information about estimated expenditures related to premium assessment. Below are relevant excerpts from that fiscal note.

		Fiscal Note					Notes
<i>From page 1 -- Part I: Estimates</i>							
Estimated Expenditures from:							
		FY 2008	FY 2009	2007-09	2009-11	2011-13	
FTE Staff Years		31.0	39.3	35.2	81.8	81.9	
Fund							
Family Leave-Non-Appropriated-Non-Appropriated NEW-6		0	0	0	38,275,000	50,550,000	
Family Leave-State-State NEW-1		8,661,193	10,003,923	18,665,116	26,741,724	15,762,786	
Total \$		8,661,193	10,003,923	18,665,116	65,016,724	66,312,786	
Total estimates only.							
Highlighted text shows total estimated FTEs and expenditures for administration of the family leave insurance. These estimates include, but are not limited to, FTEs and expenditures related to premium assessment.							
<i>From page 4 -- Part II: Narrative Explanation</i>							
<p>Narrative only.</p> <p>“Employers are required to pay the premium and are required to deduct the full amount of the premium for the individual from the earnings of each employee. The premium amount is initially set at two cents per hour worked for each employee, up to a maximum of forty hours per week.”</p>							
<i>From page 7 -- II.A. – Brief Description of What the Measure Does that Has Fiscal Impact</i>							
Section 13: Establishes premiums:							
<ul style="list-style-type: none"> ▪ Beginning January 1, 2009, for each employee at two cents per hour worked, up to a maximum of forty hours per week. ▪ Employers must pay the premium and must deduct the full amount of the premium assessed for the individual from the pay of each employee. ▪ Premiums will be deposited into the Family and Medical Leave Insurance Account. A fractional part of a 							
Narrative only.							

Fiscal Note	Notes
<p>cent less than one-half cent will be disregarded. A fractional part of a cent that amounts to one-half cent or more will be increased to one cent.</p> <ul style="list-style-type: none"> ▪ The director must adjust the amount of the premium periodically to ensure the lowest rate necessary to pay benefits and administrative costs, and to ensure actuarial solvency and repay any loans from the Supplemental Pension Fund.” 	
<p><i>From page 7 -- II.A. - Brief Description . . . (continued)</i></p> <p>Section 14: Establishes reporting and recordkeeping requirements.</p> <ul style="list-style-type: none"> ▪ Requires employers to make reports, furnish information and remit premiums on forms and at times specified by the Director. ▪ Provides that a temporary help company is liable for the required premiums but, if the temporary help company fails to remit the premiums, the customer to whom the employees were provided is liable. ▪ An employer must keep at their place of business a record of employment for purposes of this act. This record will be open to inspection by the department. ▪ Information obtained from employer records is confidential and not open to public inspection, other than to public employees in the performance of their official duties. ▪ An interested party must be supplied with information from employer records to the extent necessary for proper presentation of a legal case. An employer may authorize inspection of its records by written consent. ▪ The industrial insurance premium assessment and collection requirements in current law are applied to this program. These include the ability to assess penalties, interest, collections, and establish liens when an employer fails to provide the required report or full amount of premiums or willfully makes a false statement or misrepresentation to avoid the required reports or premiums. <p>The premium and collection requirements also apply to any public or private entity that lets a contract for work.</p>	<p>Narrative only.</p>
<p><i>From page 8 -- Section 20:</i> Establishes the Family and Medical Leave Insurance Account.</p>	<p>Narrative only.</p>

Fiscal Note	Notes
<ul style="list-style-type: none"> ▪ Requires all premiums or penalties imposed be deposited into this account. ▪ Expenditures may only be used for the family and medical leave insurance program. ▪ This account is subject to allotment procedures under current statute. An appropriation is required for administrative expenses, but not for benefit payments. 	
<p><i>From pages 9-11 -- II.B. – Cash Receipt Impact</i></p> <p>The Family and Medical Leave Insurance program will eventually collect premiums and worker data, administer the claims and pay the benefits from the funds collected.</p> <p>A new dedicated fund will be established for the Family and Medical Leave Insurance Account. All premiums and penalties will be deposited in this account. . . .</p> <p>Effective January 1, 2009 premiums for the Family and Medical Leave Insurance program will be assessed. Beginning April 30, 2009 premiums will become due and payable and continue each quarter.</p> <p>Initial premium rates are two cents per hour worked. Annually the department will assess new rates based on projected costs and the projected future fund balance in order to determine future premium rates. . . .</p>	<p>Narrative only.</p>

Fiscal Note	Notes															
<p><i>From pages 14-15 -- H.C.- Expenditures</i></p> <p><u>Family Leave Program Implementation Costs (appropriated):</u></p> <p>IT System Development</p> <p>A total of 250,837 IT system programming hours will be needed to fully create and implement a new Family and Medical Leave Insurance database system. This will be accomplished using a combination of L&I staff and contract programmers. It is assumed that L&I staff can complete 69,120 of these hours. The remaining 181,717 hours will be done by contract programmers at a cost of \$100 per hour. The contract programming cost is estimated at \$18,171,700 (\$100 x 181,717 hours). Additional contractor hours for a Project Oversight/Quality Assurance Consultant (2,400 hours @ \$250 per hour) is also included. Total contract programming costs over the four year project will be \$18,171,700</p> <p>Please refer to Table E below for a summary of the required IT system work.</p>	<p>IT System Development costs of \$10,270,100.</p> <p>This estimate is for the systems clearly related to premium assessment (e.g., Interface to Accounts Receivable Collections). These systems are highlighted in Table E (see next page). For purposes of calculating the estimate shown above, it is assumed that the hours associated with these systems are done by contract programmers at a cost of \$100 per hour.</p> <p>There may be additional systems related to premium assessment (e.g., Program Area System Application Server Deployment). Likewise, there may be equipment purchases related to premium assessment.</p>															
<p style="text-align: center;">Table E</p> <table border="1"> <thead> <tr> <th colspan="3" data-bbox="982 634 1047 1906">INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT</th> </tr> <tr> <th data-bbox="1047 634 1096 1906">System</th> <th data-bbox="1047 1354 1096 1906">Description</th> <th data-bbox="1047 1417 1096 1906">Est. Hrs.</th> </tr> </thead> <tbody> <tr> <td data-bbox="1096 634 1274 1906">Program Area System Application Server Deployment</td> <td data-bbox="1096 1354 1274 1906">Includes installation and configuration of additional server hardware, software and applications for new web based system. This includes custom interfaces with other agency systems and shared services including Shared Security Service, MQ messaging®, Accounts Receivable & Collections (ARC) and Integrated Document Management (IDM).</td> <td data-bbox="1096 1417 1274 1906">12,480</td> </tr> <tr> <td data-bbox="1274 634 1323 1906">Federal Income Tax Withholding</td> <td data-bbox="1274 1354 1323 1906">Create a new system to withhold and report Federal Income Tax.</td> <td data-bbox="1274 1417 1323 1906">3,600</td> </tr> <tr> <td data-bbox="1323 634 1453 1906">Data Warehouse System</td> <td data-bbox="1323 1354 1453 1906">Create a data warehouse database within the existing agency data warehouse that can be used for agency trend analysis and reporting purposes. This helps determine the effectiveness of our new systems over time.</td> <td data-bbox="1323 1417 1453 1906">4,680</td> </tr> </tbody> </table>		INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT			System	Description	Est. Hrs.	Program Area System Application Server Deployment	Includes installation and configuration of additional server hardware, software and applications for new web based system. This includes custom interfaces with other agency systems and shared services including Shared Security Service, MQ messaging®, Accounts Receivable & Collections (ARC) and Integrated Document Management (IDM).	12,480	Federal Income Tax Withholding	Create a new system to withhold and report Federal Income Tax.	3,600	Data Warehouse System	Create a data warehouse database within the existing agency data warehouse that can be used for agency trend analysis and reporting purposes. This helps determine the effectiveness of our new systems over time.	4,680
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Fiscal Note		Notes
Interface to Accounts Receivable Collections (ARC)	Send receivables from the premiums collections to the ARC system. Assumes ARC will be able to use existing functionality.	1,920
Rating System	Develop a system to produce and mail annual rate notices for Family Leave to employers.	600
Employer Policy Management System	Includes the establishment and maintenance of policies and accounts.	35,973
Accounts Receivable Collections	Includes collection and adjustment of premiums and refunds, letters and notices, payment agreements, appeals, waivers, and management reporting.	52,763
Integrated Document Management	Collection of delinquent accounts includes the automated production of legal notices.	11,445
Claim System	Includes document scanning, indexing, specialty indexing administration, claims review, faxing, and external file copy services from electronic media or paper copy.	15,351
	Includes Benefit Payment, Claims Appeals/Protest Tracking, Claims Management/Adjudication, Claims Overpayment/Collection/Accounts Receivable, Cost Of Living Allowance, and the Wage Calculation System (WAGE).	112,025
	Total Estimated Hours:	250,837

One-time equipment purchases in 2007 are required to begin development of systems. This cost is estimated at \$879,737 [for all system needs related to benefits and premiums].

Fiscal Note	Notes
<p><i>From pages 16-17 -- II.C - Expenditures (continued)</i></p> <p><u>Family Leave Program Implementation Costs (appropriated): (continued)</u></p> <p>Other Misc. and IT Costs</p> <p>Lock-box fees are required at \$361,000 annually beginning January 1, [2009]. This is a contracted service by the bank to receive and open the envelopes for premium payments and then reconcile and transfer the revenue to the agency daily. [Fees are estimated to be \$180,500 in the 2007-09 biennium and \$722,000 in the 2009-11 biennium.]</p>	<p>Other Misc. and IT Costs of \$361,000 annually.</p> <p>The estimate shown above is for the lock-box fees which are clearly related to premium assessment.</p> <p>There may be other miscellaneous and IT costs (e.g., software support, software/hardware licenses, and maintenance fees) related to premium assessment.</p>
<p><i>From pages 17-18 -- II.C - Expenditures (continued)</i></p> <p><u>FTE and Operating Costs (appropriated on-going):</u></p> <p>. . . FTE estimates for industrial insurance underwriting analysts assume caseloads of 10,000 cases received per analyst per year</p> <p>The permanent and project FTEs assumed to implement the new program and for ongoing operating tasks are shown in Attachment C. The staff will [be] hired as the case load increases based on the assumptions shown in Table C above.</p>	<p>See Part "III: Expenditure Detail" on pages 9-10 of this chart.</p>
<p><i>From page 18 -- II.C - Expenditures (continued)</i></p> <p><u>Rules and Printing Costs</u></p>	<p>Total estimates only.</p> <p>Some rules and printing costs may be related to premium assessment.</p>

Fiscal Note	Notes
<p><i>From page 19 -- II.C - Expenditures (continued)</i> <u>Assistant Attorney General Legal Support</u></p>	<p>Likely not related to premium assessment.</p>
<p><i>From pages 20 -- II.C - Expenditures (continued)</i> <u>Employment Standards</u></p>	<p>Not related to premium assessment.</p>
<p><i>From pages 19-20 -- II.C - Expenditures (continued)</i> <u>Fraud Prevention and Compliance</u> The Fraud Prevention and Compliance unit will need to . . . audit businesses, and collect debt owed. Audit: One Auditor 3 [\$40,452] FTE would be required to handle the additional family medical leave insurance audits of businesses. Collections: . . . one additional Collections [Revenue Office 2] [\$36,624] FTE.</p>	<p>Fraud Prevention and Compliance Costs of \$77,076 annually for Auditor 3 and Revenue Officer 2. This estimate does not include employee benefits and agency standard costs associated with new FTEs.</p>
<p><i>From pages 20-21 -- II.C - Expenditures (continued)</i> <u>Office of Administrative Hearings</u></p>	<p>Likely not related to premium assessment.</p>
<p><i>From page 21 -- II.C - Expenditures (continued)</i> <u>Public Affairs Outreach</u></p>	<p>Total estimates only. Some public affairs outreach costs may be related to premium assessment.</p>

Fiscal Note	Notes
<p><i>From page 21 -- II.C - Expenditures (continued)</i></p> <p><u>Administrative Services Program</u></p> <p>The mail room will need one Office Assistant 3 [\$28,296] position to process additional incoming and outgoing mail, beginning July 1, 2007.</p> <p>One Financial Analyst 4 [\$46,896] will be needed for reconciliation of premium collections, cash receipt, lockbox, accounts receivable, interagency payments, benefits payments, vendor payments, general ledger, and IRS tax reporting.</p>	<p>Administrative Services Program Costs of \$75,192 annually for Office Assistant 3 and Fiscal Analyst 4.</p> <p>This estimate does not include employee benefits and agency standard costs associated with new FTEs.</p>
<p><i>From page 21 -- II.C - Expenditures (continued)</i></p> <p><u>Office Space</u></p>	<p>Total estimates only.</p> <p>Some office space costs may be related to premium assessment.</p>
<p><i>From page 22 -- II.C - Expenditures (continued)</i></p> <p><u>Indirect Allocation Included in Cost Estimates</u></p>	<p>Total estimates only.</p> <p>Some indirect costs may be related to premium assessment.</p>
<p><i>From page 2 -- Part III: Expenditure Detail</i></p> <p>III.A – Expenditures by Object Or Purpose.</p>	<p>Total costs only.</p> <p>In Subpart III.A, some expenditures are likely related to premium assessment.</p>

		Fiscal Note					Notes
From page 3 -- Part III: Expenditure Detail (continued)							
III.B - Detail.							
Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13	
Actuarial Analyst 2	50,484		1.0	0.5	1.0	1.0	
Admin Regulatory Analyst 2	53,052	1.0	1.0	1.0	1.0	1.0	
Auditor 3	40,452				1.0	1.0	
Customer Service Specialist 2	31,056		0.5	0.3	2.5	3.0	
Fiscal Analyst 3	44,664	3.0	2.8	2.8	5.5	5.4	
Fiscal Analyst 4	46,896		0.5	0.3	1.0	1.0	
FMLA Program Manager	65,000	1.0	1.0	1.0	1.0	1.0	
FMLA Project Director	70,000	1.0	1.0	1.0	1.0	1.0	
Ind Ins Underwriter 2	36,624	2.0	6.0	4.0	13.0	14.0	
Ind Ins Underwriter 4	42,480	1.0	1.0	1.0	1.0	1.0	
Industrial Relation Tech Spec 2	45,536		1.5	0.8	3.0	3.0	
Industrial Relation Tech Spec 3	46,896	1.0	1.0	1.0	1.0	1.0	
Investigator 2	39,432				1.0	1.0	
ITAS 3	49,262				0.5	4.0	
ITAS 4	54,372	4.0	4.0	4.0	4.6	4.0	
ITAS 5	60,036	1.0	1.0	1.0	1.0	1.0	
OA2	26,424				3.5	5.0	
OA3	28,296		0.5	0.3	8.3	10.0	
OA3 - Mailroom	28,296	1.0	1.0	1.0	1.0	1.0	
Office Assistant Lead	29,616	2.0	2.0	2.0	2.0	2.0	
Office Support Supervisor 2	34,920				1.0	1.0	
Project Lead	65,000	3.0	3.0	3.0	3.0	3.0	
Project Manager Claims	60,000	1.0	1.0	1.0	1.0	1.0	
Project Manager Imaging	60,000	1.0	1.0	1.0	1.0	1.0	
Project Manager Premiums	60,000	1.0	1.0	1.0	1.0	1.0	
Revenue Office 2	36,624		0.5	0.3	1.0	1.0	
Secretary Admin-Project	34,128	1.0	1.0	1.0	1.0	1.0	
Technical Project Manager	70,000	1.0	1.0	1.0	1.0	1.0	

Salaries of \$322,274 in the 2007-09 biennium.
Salaries of \$ 722,000 in the 2009-11 biennium.

These estimates do not include employee benefits and agency standard costs associated with new FTEs.

Estimated Expenditures Related to Premium Assessment
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Fiscal Note		Notes	
Technical Project Manager	31.788	1.0	1.0
Unemployment Ins Spec 1	37.538	1.0	5.5
Unemployment Ins Spec 3	34.920	1.0	3.0
Unemployment Ins Spec 2	45.756	1.0	4.5
Unemployment Ins Spec 6	49.272	1.0	2.0
WCA 4	53.052	1.0	2.0
WCA 5		1.0	1.0
Total FTE's	31.0	39.3	81.8
From page 23 -- Part IV: Capital Budget Impact			
No costs.			
From page 23 -- Part V: New Rulemaking Required			
Narrative only.			
See "Rules and Printing Costs" on page 6.			

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