

Individual State Agency Fiscal Note

Bill Number: 5176 S SB	Title: Employee-owned coop UI	Agency: 540-Employment Security Department
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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
FTE Staff Years	2.9	0.6	1.8	0.6	0.6
Account					
Unemployment Compensation Administration Account-Federal 119-2	822,705	74,213	896,918	148,426	148,426
Total \$	822,705	74,213	896,918	148,426	148,426

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.

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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.

Under current law, the corporate officers of employee cooperative corporations are automatically exempt from unemployment coverage unless the corporation opts them in, and the officers of cooperative associations and limited cooperative associations are covered by unemployment insurance with no opportunity for the association to opt them out of coverage.

SB 5176 provided for automatic unemployment coverage for officers of employee coops with a new opt-out process.

SSB 5176 removes the change to the opt-in/opt-out process for officers of employee cooperatives in SB 5176. The bill states that officers of employee cooperative corporations, cooperative associations, and limited cooperative associations, unlike corporate officers of typical for-profit corporations, can count as unemployed even if the officer owns ten percent or more of the business or is a family member of an officer who owns ten percent or more of the business. Additionally, officers of employee cooperative entities can be considered unemployed if they are only acting as an officer for the business and not doing any other work activities.

Sec. 1 expands unemployment to officers of (1) employee cooperative corporations, (2) cooperative associations, and (3) limited cooperative associations whose only business activity is acting as an officer of the entity. Additionally, these officers, unlike regular corporate officers, can be considered unemployed even if they own ten percent or more of the entity or have a family member who owns ten percent or more of the entity.

Sec. 2 (New section) Standard unemployment insurance conformity clause.

Sec. 3 (New section) Effective date.

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.

Please see attached Expenditure Narrative

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
119-2	Unemployment Compensation Administration Account	Federal	822,705	74,213	896,918	148,426	148,426
Total \$			822,705	74,213	896,918	148,426	148,426

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.9	0.6	1.8	0.6	0.6
A-Salaries and Wages	238,950	38,958	277,908	77,916	77,916
B-Employee Benefits	95,580	15,583	111,163	31,166	31,166
C-Professional Service Contracts	288,942		288,942		
E-Goods and Other Services	133,935	9,090	143,025	18,180	18,180
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	65,298	10,582	75,880	21,164	21,164
9-					
Total \$	822,705	74,213	896,918	148,426	148,426

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
COMMUNICATIONS CONSULTANT 4	64,788	0.1		0.1		
EMPLOYMENT SECURITY PROGRAM COORDINATOR 3	61,632	0.1	0.1	0.1	0.1	0.1
IT APP DEVELOPMENT - SENIOR/SPECIALIST	99,864	0.1		0.1		
IT ARCHITECTURE - SENIOR/SPECIALIST (Supervisor)	110,111	0.1		0.1		
IT BUSINESS ANALYST - JOURNEY	86,268	0.5		0.3		
IT BUSINESS ANALYST - SENIOR/SPECIALIST	95,100	0.1		0.1		
IT PROJECT MANAGEMENT - SENIOR/SPECIALIST	99,864	0.2		0.1		
IT QUALITY ASSURANCE - JOURNEY	86,268	0.3		0.2		
MANAGEMENT ANALYST 3	61,632	0.4		0.2		
MANAGEMENT ANALYST 5	78,900	0.4	0.2	0.3	0.2	0.2
TAX SPECIALIST 3 - ES	53,100	0.3	0.3	0.3	0.3	0.3
WMS BAND 2	98,088	0.3		0.2		
Total FTEs		2.9	0.6	1.8	0.6	0.6

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.

SSB 5176 will require major rulemaking.

Sec 1: WAC 192-310-190 will need to be amended to adjust when an officer of employee cooperative businesses count as unemployed. WAC 192-300-170 and WAC 192-310-190 will need to be updated to reflect the bill's treatment of officers of employee cooperative businesses as different from officers of other corporations.

Expenditure Impact Narrative

SB 5176 provided for automatic unemployment coverage for officers of employee coops with a new opt-out process. SSB 5176 removes the change to the opt-in/opt-out process for officers of employee cooperatives in. SSB 5176 states that officers of employee cooperative corporations, cooperative associations, and limited cooperative associations, unlike corporate officers of typical for-profit corporations, can count as unemployed even if the officer owns ten percent or more of the business or is a family member of an officer who owns ten percent or more of the business. Additionally, officers of employee cooperative entities can be considered unemployed if they are only acting as an officer for the business and not doing any other work activities.

To implement this bill the following needs to occur in fiscal year 2024:

- Major rulemaking and policy work - 6 months
- Update the Next Generation Tax System (NGTS)
- Modifications to internal technology systems
- Update Employment Security Department (ESD) websites and email communications
- Update employer tax system by creating an additional classification
- Update training and reference materials
- Staff Training

Employment Security Department (ESD) must update the Next Generation Tax System (NGTS) to allow for identification of these businesses and the opt-in process.

SB 5176 will require updates to the employer tax system by creating an additional classification for employee-owned cooperatives.

While the NGTS system is being updated, the training unit can create curricula to be used to train staff.

Communications will need to update websites and customer service deliverables.

One Time Cost

Rulemaking and Policy related cost (one time cost)

- Major rulemaking cost = \$90,000

Information Technology (IT) Related Contract Costs (one-time cost):

- Fast contract – Code and configure changes to NGTS
 - FY24 (1200 hours*\$210 per hour = \$252,000)
- Application Developer – update Registration and opt out workflow correspondence and report updates, add new business structure type, update graphical user interface, and tax application programming interface, update structure type to federal report, and update logic for tax accounting integration with the Employer Account Management System (EAMS)
 - FY24 (237 hours*\$109 per hour = \$25,833)
- Quality Assurance – Test and validate NGTS
 - FY24 (161 hours*\$69 per hour = \$11,109)

Total IT Related Contract Cost during FY2024: \$252,000 + \$25,833 + \$11,109 = \$288,942

Information Technology (IT) Related Staff Cost (one-time cost)

- IT App Development – Senior Specialist - update logic for tax accounting, and integration between the Register, Reinstatement and Maintain Employer Accounts (RRM) and Employer Account Management System (EAMS)
 - FY24 (0.1 FTE = \$18,541)
- IT Architecture - Senior Specialist (Supervisor) – work on new business structure type for rates and registration, registration and opt out workflow, correspondence, and report updates
 - FY24 (0.1 FTE = \$20,260)
- Management Analyst 3 - Tests processes and deliverables to ensure they align with business need
 - FY24 (0.4 FTE = \$48,475)
- IT Business Analyst - Journey - gather detailed scope/requirements of the work desired by leading discussions with stakeholders and capturing their inputs and needs. Consulting and specification updates to rates and registration, update structure type specifications and User Acceptance Testing (UAT) coordination
 - FY24 (0.5 FTE = \$81,280)
- IT Business Analyst - Senior Specialist - work on adding new business structure type, update specifications and User Acceptance Testing (UAT) coordination for Employer Account Management System (EAMS)
 - FY24 (0.1 FTE = \$17,739)
- IT Quality Assurance – Journey – validation of expected changes to rates and registration, Employer Account Management System (EAMS), federal reports, and Tax and Wage reports
 - FY24 (0.3 FTE = \$48,767)

Total IT Related Staff Costs during FY2024: \$18,541 + \$20,260 + \$48,767 + \$81,280 + \$17,739 + \$48,475 = \$235,062

Product Management Related Staff Cost (one-time cost)

Product Management engagement is needed due to the impacts on the employer tax system. The following staff are needed to update the system to create an additional classification for the type of business being identified in SB 5176 which will require several project pieces that need cross-team support and engagement that Project Management can assist with.

- Management Analyst 5
 - FY24 (0.2 FTE = \$30,038)
- WMS2
 - FY24 (0.3 FTE = \$54,722)
- IT Project Management – Senior Specialist
 - FY24 (0.2 FTE = \$37,079)

Total Product Management Related Staff Cost during FY2024: \$30,038 + \$54,722 + \$37,079 = \$121,839

Communications Related Staff Cost (one-time cost)

- Communications Consultant 4 – execute medium communications plan, work on execution for engagement of GovDelivery campaign, medium outreach campaign, postal mail campaign, small social media campaign, and webinar planning, copying, writing, and editing for creative design support, and content development and publication of new webpage and resources
 - FY24 (0.1 FTE = \$12,649)

Claims Center Cost (one-time cost)

Staff will need to develop and participate in training for the new process. Development of training will involve one employee and will take 8 hours. One staff member will spend 12 hours delivering the training. 97 staff members will participate in the training for a total of 194 training hours. These costs can be absorbed with existing resources.

Total One-Time Cost for FY2024: $\$90,000 + \$288,942 + \$235,062 + \$121,839 + \$12,649 = \$748,492$

Ongoing Cost

Communications Related Staff Cost (ongoing cost)

Communications will work on execution for engagement of GovDelivery campaign, medium outreach campaign, postal mail campaign, small social media campaign, and webinar planning, copying, writing, and editing for creative design support, and content development and publication of new webpage and resources. These cost can be absorbed with existing resources.

Product Management Related Cost (ongoing)

- Management Analyst 5 – review and understand impact and recommend any changes
 - FY24 and ongoing (0.2 FTE = \$30,038)

Claims Center Cost (ongoing)

- Employment Security Program Coordinator 3 – work with Department of Revenue (DOR) and Secretary of State (SOS) to Identify Employee Cooperatives, Cooperative Associations, Limited Cooperative Associations; Create Letter for employers to informing of requirements for cooperative officers.
 - FY24 and ongoing (0.1 FTE = \$12,118)
- Tax Specialist 3 - Create New Accounts for Cooperatives under correct business structure for existing employers
 - FY24 and ongoing (0.3 FTE = \$32,057)

Total Claims Center Cost for FY2024 and ongoing: $\$12,118 + \$32,057 = \$44,175$

Total Ongoing Cost for FY24 and ongoing: $\$30,038 + \$44,175 = \$74,213$

Total Cost for FY2024: $\$748,492 + \$74,213 = \$822,705$

Total Cost for FY2025 and ongoing: $\$74,213$