

Individual State Agency Fiscal Note

Bill Number: 5653 S SB	Title: Self-employment assistance	Agency: 540-Employment Security Department
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.9	0.1	0.5	0.1	0.1
Fund					
Unemployment Compensation Administration Account-Federal 119-2	203,000	169,000	372,000	338,000	169,000
Total \$	203,000	169,000	372,000	338,000	169,000

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

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

This bill would create a new section in Chapter 50.20 RCW to establish a self-employment assistance benefits program. The commissioner of the Employment Security Department (ESD) would be required to take the lead to assure collaborative involvement of interested parties in program development; and also would have rulemaking authority.

* Section 1 - New section in Chapter 50.20 RCW:

(1) Would require the department to notify claimants identified as likely to exhaust Unemployment Insurance (UI) of the opportunity to enroll in commissioner-approved self employment assistance programs. Notices to targeted claimants would be accomplished via the department's automated system, General UI Design Effort (GUIDE). The process would require collaboration with the department's Labor Market and Economic Analysis (LMEA) branch to identify likely exhaustees via a profiling system.

(2) An unemployed individual would be able to participate in commissioner-approved self-employment assistance programs if otherwise UI eligible, identified as likely to exhaust UI, and enrolled in an approved program. The approved program must include entrepreneurial training, business counseling, technical assistance and "requirements to engage in activities relating to the establishment of a business and becoming self-employed." This requires coordination with Commissioner Approved Training (CAT), Training Benefits (TB), and local self-employment assistance organizations.

(3) Under the bill participants would be:

- a) exempt from denial under the availability, work search, and work refusal provisions, and
- b) deemed unemployed.

It is assumed that participation would need to be tracked, requiring GUIDE programming.

(4) A claimant's failure to participate would result in disqualification from continuing in the self-employment program. Rules would define what constitutes "failure to participate."

(5) The department would be required to involve interested parties to assure collaborative involvement in developing a program and ensure the program conforms to federal requirements for the payment of UI. The department could approve existing programs, which would have to be reviewed against the criteria of Section 1(2)(c).

This substitute bill would add a qualifier to Section 1 that individuals completing the self-assistance program would not be allowed to compete with their most recent employers. There would be no additional administrative impact to ESD from this change.

* Section 2 would amend RCW 50.20.095 and add participation in an approved self-employment assistance program as an exception to the denial for full-time academic students.

The substitute has an effective date of January 1, 2008 and would require ESD to take steps needed to implement on time.

The substitute would sunset on July 1, 2012. Therefore, there would be no fiscal impacts in fiscal year 2013 and beyond.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

GENERAL ASSUMPTIONS

There would be implementation and ongoing costs associated with this proposed change. This would be a new activity for an already fully-obligated fund source. Activities in the base program would be delayed and/or eliminated to accommodate one-time and ongoing costs. Examples of activities that would be displaced in the first year to accommodate one-time implementation costs include other computer programming and training needs; and, in out-years, correcting benefits claims information for other claimants, longer wait times at TeleCenters.

FTE costs for additional workload that are reimbursed by DOL are not included in the amounts in this fiscal note; only non-reimbursed costs are included.

UI Trust Fund: Since eligibility would be limited to those who are profiled as already likely to exhaust all regular unemployment benefits, there would be no estimated additional outlays from the UI trust fund to pay benefits.

WorkSource Offices: Fiscal impact is estimated to be very minor for the WorkSource division since coordination is already taking place with other state agencies and local partners for the workforce system in the state. No fiscal impact is estimated for the business services that these individuals may need. The assumption is that they will rely on whatever business assistance services are available in their communities.

Number of Participants and Decisions: By federal rules, this program would be limited to five percent of the number of individuals receiving regular benefits. Based on the average number of claimants, the number of participants eligible for the program would be capped at approximately 3,800 (76,000 X 0.05). Costs depend not only on the number of participants but also on the number of applicants, since each application would need to be reviewed for eligibility and accepted or denied. Each of these decisions requires fact-finding. It is expected that more people would apply than could be accommodated by the capped number of slots. Assuming the department receives 25 percent more applications than slots, then 4,750 decisions would be related to initial eligibility. In addition, a certain percentage of the 3,800 participants would require subsequent denial by failing to meet the "satisfactory progress" requirement or other program standards. Therefore, for fiscal note purposes, it is assumed ESD would make a total of 5,000 decisions. This activity would be a reimbursed workload item from UI administrative grant, so no FTEs are included in the fiscal note.

IMPLEMENTATION/ONE-TIME COSTS

Automated UI system programming and testing to:

- 1) identify individuals likely to exhaust (in collaboration with LMEA)
- 2) mail notice of opportunity
- 3) identify and track participants
- 4) monitor participation (satisfactory progress).

UI automated system and Interactive Voice Response (IVR) programming and testing to exempt from work search requirement.

1 ITAS 5 @ 500 hours (0.28 FTE)

Modify LMEA profiling/report/interface

Participate in rulemaking

Develop written materials

Develop and deliver training (assumes using NetMeeting - no travel):

ESPC 3 @ 528 hours (0.3 FTE)

273 UI Spec 4s in training 207 hours total 0.12 FTE) (133 receive 1/2 hour training, 140 receive 1 hour training)

Rulemaking at WMS Band 2 @ 200 hours (including travel time for WMS and ESPC3 for stakeholder meetings in Seattle and Spokane) plus travel costs (2 airfares to Spokane/ 1 RT drive to SeaTac airport and 1 RT drive to Seattle - no overnights/per diem) [\$250 each for airfare and mileage]

Printing and mailing costs - \$50,000

ON-GOING COSTS

Oversight and reporting requirements for US Department of Labor - ESPC3 (0.1 FTE)

By federal rules, this program would be limited to five percent of the number of individuals receiving regular benefits, or an estimated 3,800 claimants.

TeleCenters and the Office of Administrative Hearings (OAH):

Written decisions allowing or denying participation require individual fact-finding and one decision for each applicant.

As noted above, it is estimated the department would make approximately 5,000 decisions per year. Estimated 15 percent (750) individuals would appeal their decisions at \$190 per appeal = \$142,500/yr. This cost is paid by ESD to OAH.

Increased phone charges (SCAN) related to questions and decisions. Fact-finding for these decisions will take approximately 30 minutes each. 5,000 X 30 minutes = 150,000 additional minutes of adjudication fact-finding time. Adjudicators make out-going telephone calls to conduct fact-finding interviews. Out-going telephone charges through the SCAN system cost an average of .055 per minute. SCAN charges for additional interviews is estimated at 150,000 X .055 = \$8,250/year. Not reimbursed by USDOL.

TeleCenter, OAH, phone charges, and fact-finding costs would be one-half the estimated annual cost for the first fiscal year (FY08) as the bill's effective date is January 1, 2008.

Since the substitute contains a sunset date of July 1, 2012, ongoing costs would end June 30, 2012.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.9	0.1	0.5	0.1	0.1
A-Salaries and Wages	51,000	12,000	63,000	24,000	12,000
B-Employee Benefits	16,000	4,000	20,000	8,000	4,000
C-Personal Service Contracts					
E-Goods and Services	135,000	153,000	288,000	306,000	153,000
G-Travel	1,000		1,000		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$203,000	\$169,000	\$372,000	\$338,000	\$169,000

III. B - 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 2008	FY 2009	2007-09	2009-11	2011-13
ES Program Coordinator 3	53,052	0.3	0.1	0.2	0.1	0.1
ITAS5	66,264	0.3		0.2		
UIS 4	45,756	0.1		0.1		
WMS Band 2	60,000	0.1		0.1		
Total FTE's		0.9	0.1	0.5	0.1	0.1

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1 - Would need to define terms such as "enrolled," "fails to participate," whether participation must be full-time, and other clarifications of intent. The substitute would not change rule-making assumptions.