

Multiple Agency Fiscal Note Summary

Bill Number: 5360 S SB	Title: Unpaid wages collection
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Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(25,000)	(25,000)	(50,000)	(50,000)	(50,000)	(50,000)
Total \$	(25,000)	(25,000)	(50,000)	(50,000)	(50,000)	(50,000)

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Fiscal note not available								
Department of Revenue	1.9	339,500	339,500	2.9	441,600	441,600	2.9	441,600	441,600
Department of Labor and Industries	.7	0	262,000	1.2	0	216,000	1.2	0	216,000
Total	2.6	\$339,500	\$601,500	4.1	\$441,600	\$657,600	4.1	\$441,600	\$657,600

Local Gov. Courts *	Fiscal note not available								
Loc School dist-SPI									
Local Gov. Other **									
Local Gov. Total									

Estimated Capital Budget Impact

NONE

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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 37685

Department of Revenue Fiscal Note

Bill Number: 5360 S SB	Title: Unpaid wages collection	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(16,000)	(16,000)	(32,000)	(32,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(1,000)	(1,000)	(2,000)	(2,000)
GF-STATE-State 01 - Taxes 75 - Penalties and Intrst		(8,000)	(8,000)	(16,000)	(16,000)
Total \$		(25,000)	(25,000)	(50,000)	(50,000)

Estimated Expenditures from:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.7	3.1	1.9	2.9	2.9
GF-STATE-State 001-1	77,900	261,600	339,500	441,600	441,600
Total \$	77,900	261,600	339,500	441,600	441,600

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: Trudes Tango	Phone: 360-786-7384	Date: 02/20/2014
Agency Preparation: Gerald Saylor	Phone: 360-534-1517	Date: 02/24/2014
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/24/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/24/2014

Request # 5360-2-1

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.

Note: This fiscal note reflects language in draft legislation SSB 5360, 2014 Legislative Session.

This legislation relates to the collection of unpaid wages.

Section 1 allows the Department of Labor and Industries to electronically serve a financial institution a withhold and deliver notice for unpaid wages of an employer by providing a list of its outstanding warrants to the Department of Revenue (Department). The Department may include these warrants in a notice and order to withhold and deliver served under RCW 82.32.235(3). The financial institution must answer the notice within the time period applicable to service under RCW 82.32.235(3). The Departments of Labor and Industries and Revenue may adopt rules to implement this subsection.

Section 2 authorizes the Department to serve a withhold and deliver notice to any financial institution for unpaid wages as provided by Section 1. These notices may be served electronically.

This legislation has an effective date of 90 days after final adjournment of the legislative session.

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.

ASSUMPTIONS

- 75 percent of revenue loss is attributed to tax.
- 25 percent of revenue loss is attributed to penalty and interest.
- Tax allocation based upon retailing activities.
- Twelve months of cash collections for Fiscal Year 2015.
- Revenue losses will be consistent each year.

DATA SOURCES

Department of Revenue Compliance Division data for 2013

REVENUE ESTIMATES

If this legislation is enacted, state revenues reduce by approximately \$25,000 per fiscal year.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2014 -	\$ 0
FY 2015 -	(\$ 25)
FY 2016 -	(\$ 25)
FY 2017 -	(\$ 25)
FY 2018 -	(\$ 25)
FY 2019 -	(\$ 25)

Local Government, if applicable (cash basis, \$000):

FY 2014 -	\$ 0
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FY 2015 - (\$ 6)
 FY 2016 - (\$ 6)
 FY 2017 - (\$ 6)
 FY 2018 - (\$ 6)
 FY 2019 - (\$ 6)

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.

ASSUMPTIONS:

This legislation affects 50 taxpayers.

FIRST YEAR COSTS:

The Department will incur total costs of \$77,900 in Fiscal Year 2014. These costs include:

- Labor Costs - Time and effort equates to 0.7 FTEs.
- Program, test and manage system changes

SECOND YEAR COSTS:

The Department will incur total costs of \$261,600 in Fiscal Year 2015. These costs include:

- Labor Costs - Time and effort equates to 3.1 FTEs.
- Communicate with stakeholders, financial institutions, and other departments
- Assist with implementation of the new processes
- Internal training
- Address lien priority for accounts and ensure proper distribution

ONGOING COSTS:

Ongoing costs for the 2015-17 Biennium equal \$441,600 and include similar activities described in the second year costs. Time and effort equates to 2.9 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.7	3.1	1.9	2.9	2.9
A-Salaries and Wages	48,200	148,400	196,600	276,000	276,000
B-Employee Benefits	14,500	44,500	59,000	82,800	82,800
E-Goods and Other Services	10,600	45,600	56,200	71,200	71,200
G-Travel		3,100	3,100	5,800	5,800
J-Capital Outlays	4,600	20,000	24,600	5,800	5,800
Total \$	\$77,900	\$261,600	\$339,500	\$441,600	\$441,600

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 2014	FY 2015	2013-15	2015-17	2017-19
INFO TECH S/A S 6	76,990	0.1		0.1		
IT SPEC 4	63,195	0.2		0.1		
IT SPEC 5	69,756	0.4		0.2		
REVENUE AGENT 1	38,556		0.1	0.1	0.1	0.1
REVENUE AGENT 2	47,014		2.3	1.1	2.3	2.3
REVENUE AGENT 4	54,505		0.7	0.4	0.5	0.5
Total FTE's	350,016	0.7	3.1	1.9	2.9	2.9

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

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.

No rule-making required.

Individual State Agency Fiscal Note

Bill Number: 5360 S SB	Title: Unpaid wages collection	Agency: 235-Department of Labor and Industries
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	1.4	0.7	1.2	1.2
Account					
Accident Account-State 608-1	0	132,000	132,000	110,000	110,000
Medical Aid Account-State 609-1	0	130,000	130,000	106,000	106,000
Total \$	0	262,000	262,000	216,000	216,000

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: Trudes Tango	Phone: 360-786-7384	Date: 02/20/2014
Agency Preparation: Gwendolyn M Reed	Phone: 360-902-6992	Date: 02/21/2014
Agency Approval: Randi Warick	Phone: 360-902-4214	Date: 02/21/2014
OFM Review: Danielle Cruver	Phone: (360) 902-0575	Date: 02/25/2014

Request # 079-FPLS-1

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.

See attached.

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.

See attached.

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.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		1.4	0.7	1.2	1.2
A-Salaries and Wages		85,000	85,000	140,000	140,000
B-Employee Benefits		31,000	31,000	52,000	52,000
C-Professional Service Contracts					
E-Goods and Other Services		136,000	136,000	22,000	22,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		9,000	9,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$262,000	\$262,000	\$216,000	\$216,000

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 2014	FY 2015	2013-15	2015-17	2017-19
Fiscal Analyst 2	40,524		0.2	0.1	0.2	0.2
Information Technology Specialist 3	64,740		1.0	0.5	1.0	1.0
Information Technology Specialist 4	71,496		0.2	0.1		
Total FTE's	176,760		1.4	0.7	1.2	1.2

Part IV: Capital Budget Impact

NONE

Request # 079-FPLS-1

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.

See attached.

Part II: Explanation

This proposal amends RCW 49.48.086 (Collection procedures) to authorize the Department of Labor and Industries (L&I) to match our debtors with filed liens against bank records electronically. It allows L&I to serve our Notice of Withhold and Deliver (NWD) electronically to financial institutions and allows those institutions to respond electronically. It also allows L&I to obtain a search warrant to seize assets from debtors and sell them to satisfy debt.

This proposal amends RCW 49.48 (Wages – payment – collection) to authorize L&I to file a jeopardy assessment when it is believed that assets are being removed from the state or will be sold.

The elements of this bill that differ from SB 5360 which change the impact to L&I from the previous version are:

- The proposed substitute bill removes authority for the department to use the seizure process when a final assessment is issued, and prohibits seizure of perishable agricultural commodities in their raw and unprocessed state.
- Removes the authority to issue jeopardy assessments when there is reason to believe assets are being liquidated or removed from the state.
- Removes authority to execute a search warrant to seize the assets as well as the requirement to return any excess proceeds from sale to the debtor or lien holders.
- Permits delivery of NWD by serving financial institutions with a notice and order to withhold and deliver by providing a list of outstanding warrants to the Department of Revenue.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 1(2)(c) As an alternative the department may electronically serve a financial institution with a notice and order to withhold and deliver by providing a list of its outstanding warrants, except those for which a payment agreement is in good standing, to the Department of Revenue (DOR). DOR may include the warrants provided by the department in a notice and order to

withhold and deliver served under RWC 82.32.235(3). A financial institution that is served with a NWD under this subsection (2)(c) must answer the notice within the time period applicable to service under 82.32.235(3) (no more than one notice and order to withhold and deliver under this subsection (3) may be served on the same financial institution in a calendar month). The department and DOR may adopt rules to implement this subsection (2)(c).

II. B – Cash Receipt Impact

Non-appropriated—In Fiscal Year 2012, L&I collected \$502,200 for Wage Payment Act (WPA) collections after the Notice and Order of Citations were final and binding, and referred to the Collections Program. \$463,700 (92.3 percent) was passed through to employees to compensate for unpaid wages and interest, and \$38,500 (7.7 percent) was collected for penalties. L&I expects to see an incremental increase in unpaid wages collected for Washington workers each year as more financial institutions are added to the electronic withhold process, beginning with \$125,000 for Fiscal Year 2015. Of this, \$115,375 will be passed through to employees, and \$9,625 will be collected for penalties. This money is deposited in the Supplemental Pension Fund—Account 881. This increased amount is expected to reach \$300,000 for Fiscal Year 2018 and beyond, as indicated in Table A.

Fiscal Year	Increased Collections	Wages to Workers	Penalties to L&I (Supplemental Pension Fund)
2016	\$125,000	\$115,375	\$9,625
2017	\$200,000	\$184,600	\$15,400
2018	\$250,000	\$230,750	\$19,250
2019	\$300,000	\$276,900	\$23,100
2020	\$300,000	\$276,900	\$23,100

II. C – Expenditures

If an employee files a wage complaint for a violation of a wage payment requirement, L&I must investigate the complaint. A "wage payment requirement" includes the requirements to pay minimum wages, overtime compensation, and final wages, and the requirement to withhold only

lawful deductions from wages. L&I must issue either a citation and notice of assessment or a determination of compliance no later than 60 days after receiving the complaint.

L&I may order the employer to pay employees all wages owed, including interest of one percent per month. If a final order is issued and the employer defaults in paying the wages owed or the civil penalty, a warrant may be filed with the county clerk. The amount of the warrant becomes a lien on the employer's real or personal property.

L&I may match outstanding warrants against deposit accounts held by nearly 220 financial institutions registered in Washington. DOR has a secure file transfer folder for each institution, which L&I will utilize for this process. L&I will provide a list of outstanding warrants to DOR. As one combined service, DOR will incorporate these warrants with their list and serve an NWD to a financial institution by electronic file transfer. A financial institution has 30 days to respond to the electronic file transfer procedure. DOR may not serve an institution more than once monthly, and must ensure this method of service does not become burdensome for financial institutions.

The workload assumed by DOR on behalf of L&I includes:

- L&I will use DOR's secure file transfer folder for each financial institution. DOR will set up and prepare a dual list in these folders that will contain information from both agencies;
- Receive and incorporate L&I account list monthly.
- Serve NWDs to financial institutions by electronic transfer via a secured server process;
- Manually determine lien priority based on the lien filing date with the courts;
- Act as the initial contact with the financial institutions for any initial service issues or problems, and work with L&I if issues concern L&I accounts; and
- Extract data from the secured server, and provide data from the financial institutions to L&I as responses are received from financial institutions.

L&I will then coordinate directly with the financial institutions regarding the NWDs served on its behalf by DOR.

FTE

Currently, an average of 250 NWDs are mailed monthly by certified mail. Based on DOR's experience, by shifting to this new process, L&I anticipates sending at least 250 electronic NWDs on a monthly basis, which will continue to increase incrementally. L&I will also continue to utilize certified mail for NWD delivery, as needed, based on leads received from the unpaid workers. It is anticipated certified mail delivery will be no more than 1,000 per year (83 per month), a reduction of 2,000.

To meet customer needs and relieve possible inconvenience, frequent coordination and data verification related to funds in frozen accounts will be necessary as well as response to follow-up questions from financial institutions and obliged employers.

Based upon continued conversation with staff at the DOR, the degree to how the proposed changes between SB 5360 and PSSB 5360 will impact staff workload at L&I is uncertain. At a minimum, we anticipate the need of one Information Technology Specialist 3 to match the new electronic NWD process. The specific duties for this position are broken out below.

Information Technology Specialist 3: One Information Technology Specialist 3 is necessary to administer the new electronic NWD process. This position will:

- Gather user requirements and work with information technology staff to establish business rules and workflow process;
- Develop data exchange contracts with financial institutions;
- Act as the primary tester for system development;
- Act as the systems trainer;
- Assist with training for the financial institutions;
- Coordinate with financial institutions to minimize the impact to them, and provide daily operational and technical support;
- Oversee monthly data match, result, NWD, and electronic fund transfer payment data processes; and
- Review and audit the process periodically to ensure accuracy.

IT Costs:

A 0.2 Information Technology Specialist 4 and 1,170 contract hours are need to modify the Front Counter System, Employment Standards Complaint Handling System (ESCH) Web Application and Accounts Receivable Collections System (ARC). Breakdown of costs are included on Table B.

TABLE B				
Activity/Task or Milestone	# of FTE Hours	# of Contractor Hours	Rate Per Hour	Total Cost
Front Counter System				
Business process analysis & definition, use-cases, testing & implementation	100	40	\$94	\$3,760
ACH Credit setup with OST/BoA/Revenue Accounting including testing	16			
Develop table structures and processes for ACH Credit file intake	20	80	\$94	\$7,520
Modify current Front Counter A8 process		40	\$94	\$3,760
Create/Modify reconciliation processes between apps	10	40	\$94	\$3,760
ESCH Web Application (Complaint Online Tracking System (CATS))				
User Interface/data modifications to existing screens/tables to reconcile ARC changes	80			
Testing in all environments to include User acceptance	60			
Accounts Receivable Collections system (ARC)				
Develop ongoing process for acquiring and recording missing identification data for L&I's individual (SSN numbers) and business (FEIN numbers) customers	20	100	\$94	\$9,400

Develop automated process for required Secure File Transfer interface with Department of Revenue (DOR)	0	150	\$94	\$14,100
Develop automated process for presenting matched assets to Revenue Agents in ARC application	0	150	\$94	\$14,100
Develop automated process for required Secure File Transfer interfaces with financial institutions (FI's), and delivery of NWD from ARC.	0	225	\$94	\$21,150
SFT configuration coordination (200+ separate accesses/400+ separate locations) and incorporation into new processes	55	100	\$94	\$9,400
Update existing automated processes in ARC	20	60	\$94	\$5,640
Creation/update of correspondence, reports and letters	75	25	\$94	\$2,350
Business process analysis & definition, use-cases, testing & implementation	40	160	\$94	\$15,040
Totals	496	1,170		\$109,980

Cost Savings

L&I currently uses certified mail to send NWDs to financial institutions. The change to electronic delivery may result in savings of postage costs. L&I sends approximately 3,000 NWDs a year at a cost of five dollars each. It is anticipated this may be reduced by 2,000 depending on how many NWDs get served by DOR electronically. This could result in a biennial savings of up to \$10,000 once implemented.

Indirect Costs

The amount included in this fiscal note for indirect is:

Fund	Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
608	Accident Account		4,500	4,000	4,000	4,000	4,000
609	Medical Aid Account		4,500	4,000	4,000	4,000	4,000
Total			9,000	8,000	8,000	8,000	8,000

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 2 (Range 44, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Two hearings will be needed for the new rules required to implement this legislation.