Fiscal Impact Statement for Initiative 2124

FISCAL IMPACT SUMMARY

If voters approve Initiative 2124, there will be additional expenses to the state due to administrative costs. Estimated expenses for the first three state fiscal years combined are in the range of $12,623,250 to $31,215,960. There is an assumed decrease in state revenues due to workers opting out of the program and no longer paying premiums. It is unknown how many current and future workers will choose to continue to participate in the program. Therefore, the total impacts to revenue and program costs, including the amount for paying future benefits, are indeterminate. There are no known local government fiscal impacts.

General Assumptions

- The effective date of the initiative is December 5, 2024.
- For those choosing to opt out, premium collections would stop the first day of the following calendar quarter after the opt-out request is made.
- The provisions of the initiative apply prospectively, not retroactively.
- Workers who do not have an exemption from the Long-Term Services and Supports program (LTSS) will continue paying premiums unless and until they affirmatively opt out of the program.
- Estimates use the state's fiscal year (SFY) of July 1 through June 30. State fiscal year 2025 (SFY25) July 1, 2024, to June 30, 2025.

REVENUE

State Revenue

Unless otherwise exempted from the LTSS program, the Employment Security Department (ESD) collects mandatory premiums from Washington workers at a current rate of 0.58% of a worker's wages. Premiums collected are placed in the Long-Term Services and Supports Trust Account to cover benefit payments and administrative costs. Workers who choose to opt out of the program if the initiative passes will no longer contribute toward these costs or receive benefits.

Current actuarial projections assume program revenue to reach $952 million in state fiscal year 2025, sufficient to cover benefit payments beginning in state fiscal year 2027 when combined with previously collected premiums in the Long-Term Services and Supports Trust Account. If the initiative passes, it is unknown how many workers would choose to opt out of the program. Therefore, revenue impacts are indeterminate. For illustrative purposes only, if 25% less in premiums were collected, the state fiscal year 2025 revenue would be $714 million. If 75% less in premiums were collected, the state fiscal year 2025 revenue would be $238 million.

An analysis by the Office of the State Actuary indicates that if rates of non-participation are high enough, the Long-Term Services and Supports Trust Account could become insolvent as early as state fiscal year 2027.

Once benefits become available to eligible LTSS participants in July of 2026, there may be potential savings to the Medicaid program related to delaying usage of long-term care services and supports covered by Medicaid. The potential impact of this initiative on any Medicaid savings is indeterminate because projected impacts to benefit payments cannot be defined since the demographic makeup of those who would choose to remain in the program is unknown.

EXPENDITURES

There are currently 4.1 million workers in Washington state, with 3.9 million participating in the LTSS program. It is unknown how many of those workers will choose to remain in the program. Therefore, estimated expenditures for benefits and administrative costs are indeterminate. For this reason, this analysis identifies costs associated with a range of scenarios, from 25%, 50% and 75% of workers electing to opt out of the program. All expenditures noted within this analysis would come from revenue in the Long-Term Services and Supports Trust Account.

Customer Support (Non-indeterminate costs: SFY25: $1,310,000; SFY26: $584,000; SFY27 and ongoing: $236,000; and indeterminate costs)

Additional customer support teams would be needed at both the Department of Social and Health Services (DSHS) and the Employment Security Department (ESD) to address an ongoing increase in calls and inquiries from the public. Agencies do not anticipate a decrease in their existing customer service costs if fewer people choose to participate in the program.

DSHS provides customer service and addresses questions and complaints for the LTSS program, including referring individual customers to other appropriate agencies. Depending on the percentage of workers electing to opt out, and assuming that 10% of those individuals will contact DSHS for a call that is five minutes in duration, increased staffing costs would begin in December of 2024.

Ranges of the staff required and costs based on 25% to 75% of workers electing to opt out:

	SFY25	SFY26	SFY27
Number of Staff	5.3 to 13.5	7.3 to 17.9	4.7 to 10
Cost Range	$577,000 to $1,409,000	$740,000 to $1,775,000	$483,000 to $994,000

In addition to these costs, DSHS will need to purchase software services and technical consulting services required to implement call center technology, costing $1,000,000 in state fiscal year 2025.

ESD collects and assesses employee LTSS program premiums. Therefore, ESD assumes that the following work will be needed:

- Provide customer service to workers, including self-employed individuals, with questions regarding maintaining and opting out of coverage.
- Upon request, mail documentation to employees that they may provide to employers concerning maintaining coverage in the program.

- Support employers with reporting and premium payments. ESD will process refunds to employers who withheld premiums incorrectly from their employees.
- ESD assumes that in the first year, 15% of the customers who opt out of the program will contact the department with questions or to request technical assistance, with each contact estimated at 15 minutes. In subsequent years, that rate of individuals requiring assistance will drop to 10% of those choosing to opt out. Using the 25%, 50% and 75% range of opt-outs, ESD assumes increased staffing costs would begin in December of 2024.

Ranges of the staff required and costs based on 25% to 75% of workers electing to opt out:

	SFY25	SFY26	SFY27
Number of Staff	18.8 to 66.6	24.5 to 89.5	18.8 to 71.9
Cost Range	$1,921,890 to $6,711,045	$2,508,012 to $8,990,311	$1,940,348 to $7,213,604

SFY27 costs would continue each year thereafter.

These estimates also assume that eight current positions who process exemptions will be repurposed to provide customer service. To support the additional customer service staff, ESD estimates needing an additional five staff for training, designing operating procedures, fiscal support and conducting administrative actions. The costs for the support staff are $310,000 in state fiscal year 2025, $584,000 in state fiscal year 2026 and $236,000 in state fiscal year 2027 and ongoing.

Information Technology Enhancements (Non-indeterminate costs: SFY25: $883,000; SFY26 and ongoing: $31,000)

ESD will develop IT system functionality to allow Washington workers the ability to opt out of the LTSS program. This system enhancement will take approximately 12 weeks to build and implement, and ESD will hire IT staffing and vendor teams to complete this work from December 2024 through February 2025, estimated to cost $835,000 in state fiscal year 2025 and including 3.4 staff. Vendor services and IT staffing teams needed will include development, performance, security and management. Other IT infrastructure costs are estimated to be $48,000 in state fiscal year 2025 for an additional testing environment and database capacity. Ongoing costs for database capacity are approximately $31,000 per year starting in state fiscal year 2026.

Product Management (Non-indeterminate costs: SFY25: $587,000)

ESD will hire a product management team, consisting of 4.3 temporary staff working through June 30, 2025, costing $587,000 in state fiscal year 2025, to ensure legislation is implemented successfully by balancing value, usability, feasibility, sustainability risks and working with stakeholders.

Communications (Non-indeterminate costs: SFY25: $426,000; SFY26: $262,000; SFY27 and ongoing: $178,000)

ESD will develop and implement communication plans to prepare employers and employer agents, such as third-party payroll providers, for changes to wage filing requirements. The cost of creating and disseminating information through mailers to 183,000 employers is expected to be $89,000 per mailing. ESD anticipates sending four mailings in state fiscal year 2025 ($89,000 x 4 = $356,000) and two mailings per year in state fiscal year 2026 and each year thereafter ($89,000 x 2 = $178,000). In addition, ESD plans to hire a communications consultant for one year starting in December of 2024 to inform workers through their employers about the ability to maintain and opt out of the program and to inform employers about how to manage their employees' program coverage and changes to reporting requirements.

Legal Services, Appeals, Rule Making (Non-indeterminate costs: SFY25: $90,000; and indeterminate costs)

The Office of Administrative Hearings may experience a reduction in projected appeals if fewer workers participate in the program. Therefore, a savings of roughly $55,000 to $165,000 may be realized depending on the percentage of workers that choose to opt out.

ESD is authorized to establish rules pertaining to the programmatic changes made within the initiative. Rulemaking is expected to cost $90,000 in state fiscal year 2025. It is unknown what level of legal guidance ESD will need from the Office of the Attorney General to implement the rules and initiative. Therefore, any costs associated with legal guidance are indeterminate.

Benefit Payments (Indeterminate costs)

Benefits become available to eligible participants beginning in state fiscal year 2027. Current actuarial projections assume program benefit payments to cost approximately $1.837 billion in state fiscal year 2027. Any impacts this initiative may have on future benefit payouts or associated administrative expenses are indeterminate at this time since the demographic makeup of those who would choose to remain in the program is unknown.