

Multiple Agency Fiscal Note Summary

Bill Number: 5463 SB	Title: Industrial insurance/duties
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	3,018,000	0	0	4,026,000	0	0	4,026,000
Department of Labor and Industries	0	0	4,428,000	0	0	6,012,000	0	0	6,012,000
Department of Labor and Industries	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total \$	0	0	7,446,000	0	0	10,038,000	0	0	10,038,000

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	9.9	0	0	3,018,000	13.2	0	0	4,026,000	13.2	0	0	4,026,000
Office of Administrative Hearings	.0	0	0	0	.0	0	0	0	.0	0	0	0
Board of Industrial Insurance Appeals	Fiscal note not available											
Department of Labor and Industries	5.5	0	0	4,428,000	8.0	0	0	6,012,000	8.0	0	0	6,012,000
Department of Labor and Industries	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Total \$	15.4	0	0	7,446,000	21.2	0	0	10,038,000	21.2	0	0	10,038,000

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Board of Industrial Insurance Appeals	Fiscal note not available								
Department of Labor and Industries	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Courtney Kinney, OFM	Phone: 360 584 5705	Date Published: Preliminary 2/17/2025
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Individual State Agency Fiscal Note

Bill Number: 5463 SB	Title: Industrial insurance/duties	Agency: 100-Office of Attorney General
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Legal Services Revolving Account-State 405-1	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000
Total \$	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	6.6	13.2	9.9	13.2	13.2
Account					
Legal Services Revolving Account-State 405-1	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000
Total \$	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000

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: Susan Jones	Phone: 360-786-7404	Date: 01/25/2025
Agency Preparation: Dan Jensen	Phone: 360-664-9429	Date: 01/31/2025
Agency Approval: Joe Zawislak	Phone: 360-586-3003	Date: 01/31/2025
OFM Review: Rayanna Evans	Phone: (360) 902-0553	Date: 01/31/2025

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.

Section 1 - Amends RCW 51.14.080 to remove municipal employers from the statute allowing the director of the Department of Labor and Industries (L&I) the ability to withdraw self-insurers from certification.

Section 2 - Amends RCW 51.14.180 to remove municipal employers and self-insured private sector firefighters from the statute requiring self-insurers to exercise certain duties of good faith and fair dealing and other statutory requirements.

Section 4 - New Section. The act applies to all claims regardless of date of injury.

Section 5 - New Section. Effective date of January 1, 2026.

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.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Department of Labor and Industries (L&I). The Attorney General’s Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO’s authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency’s fiscal note. Appropriation authority is necessary in the AGO budget.

AGO AGENCY ASSUMPTIONS:

L&I will be billed for King County rates:
FY 2026: \$1,005,000 for 2.3 Assistant Attorney General FTE (AAG), 2.3 Paralegal 2 FTE (PL2), and 1.2 Paralegal 1 FTE (PL1)
FY 2027 and in each FY thereafter: \$2,013,000 for 4.6 AAG, 4.6 PL2, and 2.3 PL1

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.

Attorney General’s Office (AGO) Agency Assumptions:

Legal services associated with the enactment of this bill will begin on January 1, 2026 (FY 2026).

Location of staffing is assumed to be in a King County office building.

Total workload impact in this request includes standard assumption costs for goods & services, travel, and capital outlays for all FTE identified.

Agency administration support FTE are included in the tables. The Management Analyst 5 FTE (MA) is used as a representative classification. An example ratio is for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 Paralegal 1 FTE (PL1) and 0.4 MA.

1. Assumptions for the AGO Labor and Industries Division's (LNI) Legal Services for the Department of Labor and Industries (L&I):

The AGO will bill L&I for legal services based on the enactment of this bill. L&I anticipates an increase of 3,677 referrals starting in FY2026 and subsequent years to its penalty adjudicators for penalties relating to the newly expanded duties of good faith and fair dealing to employees of self-insured employers. Historically, roughly ten percent of referrals have resulted in appeals to the Board of Industrial Insurance Appeals (BIIA). Therefore, the baseline expectation would be 368 new appeals. The amount of the penalties can reach 52 times the average weekly wage payable to the worker, and three of these penalties can result in decertification of the self-insured employer. These dollar amounts are much higher, and result in harsher potential consequences to the employer, therefore the AGO anticipates roughly a 50 percent increase in appeal rates increasing the baseline number of appeals. In FY2026 and in each fiscal year thereafter, there would be an anticipated 552 new appeals. 552 appeals equate to roughly 46 BIIA appeals per month. Currently, ten appeals per month equates to 1.0 mediation Paralegal 2 FTE PL2). In FY2026 and in each fiscal year thereafter, 46 BIIA appeals per month would equate 4.6 AAGs to handle the increased number of appeals. Historical mediation resolution percentage is 40 percent leaving roughly 27.6 appeals to proceed to hearings and assignment to an AAG per month. Currently, six BIIA appeals per month equates to 1.0 AAG. In FY2026 and in each fiscal year thereafter, 27.6 appeals per month would equate 4.6 AAGs to handle those appeals that do not resolve in mediation and proceed to litigation or further appeals.

LNI: Total King County workload impact:

FY 2026: \$1,005,000 for 2.3 AAG, 2.3 PL2, and 1.2 PL1

FY 2027 and in each FY thereafter: \$2,013,000 for 4.6 AAG, 4.6 PL2, and 2.3 PL1

2. The AGO Licensing & Administrative Law Division (LAL) has reviewed this bill and determined it will not increase or decrease the division's workload in representing BIIA, which hears appeals of L&I decisions. This bill alters the circumstances in which L&I can assert a violation, but BIIA does not anticipate that it will increase the number of appeals it receives enough to generate additional legal services. Therefore, no costs are included in this request.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
405-1	Legal Services Revolving Account	State	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000
Total \$			1,005,000	2,013,000	3,018,000	4,026,000	4,026,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	6.6	13.2	9.9	13.2	13.2
A-Salaries and Wages	675,000	1,351,000	2,026,000	2,702,000	2,702,000
B-Employee Benefits	209,000	419,000	628,000	838,000	838,000
C-Professional Service Contracts					
E-Goods and Other Services	114,000	229,000	343,000	458,000	458,000
G-Travel	7,000	14,000	21,000	28,000	28,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000

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 2026	FY 2027	2025-27	2027-29	2029-31
Assistant Attorney General-King County	139,558	2.3	4.6	3.5	4.6	4.6
Management Analyst 5	98,040	0.8	1.7	1.3	1.7	1.7
Paralegal 1-King County	74,700	1.2	2.3	1.8	2.3	2.3
Paralegal 2-King County	82,392	2.3	4.6	3.5	4.6	4.6
Total FTEs		6.6	13.2	9.9	13.2	13.2

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Labor & Industries Division (LNI)	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000
Total \$	1,005,000	2,013,000	3,018,000	4,026,000	4,026,000

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.

Individual State Agency Fiscal Note

Bill Number: 5463 SB	Title: Industrial insurance/duties	Agency: 110-Office of Administrative Hearings
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Susan Jones	Phone: 360-786-7404	Date: 01/25/2025
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/27/2025
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 01/27/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/31/2025

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.

Appeals generated by the enactment of this law will not result in fiscal impact for the Office of Administrative Hearings (OAH). These appeals would be handled by the Board of Industrial Insurance Appeals.

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.

None

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.

None

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

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.

Individual State Agency Fiscal Note

Bill Number: 5463 SB	Title: Industrial insurance/duties	Agency: 235-Department of Labor and Industries
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Accident Account-Non-Appropriated 608-6	713,000	1,500,000	2,213,000	3,006,000	3,006,000
Medical Aid Account-Non-Appropriated 609-6	713,000	1,502,000	2,215,000	3,006,000	3,006,000
Total \$	1,426,000	3,002,000	4,428,000	6,012,000	6,012,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.1	7.8	5.5	8.0	8.0
Account					
Accident Account-State 608-1	713,000	1,500,000	2,213,000	3,006,000	3,006,000
Medical Aid Account-State 609-1	713,000	1,502,000	2,215,000	3,006,000	3,006,000
Total \$	1,426,000	3,002,000	4,428,000	6,012,000	6,012,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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: Susan Jones	Phone: 360-786-7404	Date: 01/25/2025
Agency Preparation: Shana J Snellgrove	Phone: 000-000-0000	Date: 02/14/2025
Agency Approval: Trent Howard	Phone: 360-902-6698	Date: 02/14/2025
OFM Review: Courtney Kinney	Phone: 360 584 5705	Date: 02/16/2025

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.

See attached.

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.

See attached.

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.

See attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
608-1	Accident Account	State	713,000	1,500,000	2,213,000	3,006,000	3,006,000
609-1	Medical Aid Account	State	713,000	1,502,000	2,215,000	3,006,000	3,006,000
Total \$			1,426,000	3,002,000	4,428,000	6,012,000	6,012,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.1	7.8	5.5	8.0	8.0
A-Salaries and Wages	249,000	630,000	879,000	1,306,000	1,306,000
B-Employee Benefits	90,000	227,000	317,000	470,000	470,000
C-Professional Service Contracts					
E-Goods and Other Services	1,044,000	2,107,000	3,151,000	4,220,000	4,220,000
G-Travel	3,000	8,000	11,000	16,000	16,000
J-Capital Outlays	40,000	30,000	70,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	1,426,000	3,002,000	4,428,000	6,012,000	6,012,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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 2026	FY 2027	2025-27	2027-29	2029-31
Fiscal Analyst 5	76,608	0.2	0.5	0.4	0.5	0.5
Office Assistant 3	46,920	0.4	0.5	0.5	0.5	0.5
Workers' Compensation Adjudicator 5	84,516	1.5	5.8	3.7	6.0	6.0
Workers' Compensation Adjudicator 6	91,068	1.0	1.0	1.0	1.0	1.0
Total FTEs		3.1	7.8	5.5	8.0	8.0

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.

Part II: Explanation

This bill relates to the duties of industrial insurance self-insured employers (SIEs) and third-party administrators (TPAs). It would take effect January 1, 2026.

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

Section 1 amends RCW 51.14.080, removing reference to municipal employers and specifying that all SIEs are subject to withdrawal of certification if they have violated the duty of good faith and fair dealing under RCW 51.14.180 three times within a three-year period.

Section 2 amends RCW 51.14.180, removing reference to municipal employers and self-insured private sector firefighter employers and specifying that all SIEs and TPAs have a duty of good faith and fair dealing to workers related to all aspects of this title.

Section 3 states this bill applies to all claims regardless of the date of injury.

Section 4 states this bill takes effect January 1, 2026.

II. B – Cash Receipt Impact

Receivables – Operating

Cash receipts are indeterminate. The bill will increase the amount of penalties issued by the Department of Labor and Industries (L&I), but L&I has no way to estimate the frequency nor the amounts of those penalties.

Receivables – Self-Insured Employers

Costs related to L&I's Self-Insurance (SI) Program are reimbursed by the SIEs. This is done through an assessment process, and is recorded as revenue and deposited into the Accident Account and the Medical Aid Account. The estimated amounts to be reimbursed by the SIEs for this bill are below:

FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
\$1,426,000	\$3,002,000	\$3,006,000	\$3,006,000	\$3,006,000	\$3,006,000

II. C – Expenditures

Non-Appropriated – State Fund Benefit Costs

There is indeterminate non-appropriated impact to the Accident Account, fund 608, and the Medical Aid Account, fund 609. (Non-appropriated costs are not included in the Fiscal Note Summary.)

While the likelihood of involuntary decertification may be minimal, voluntary decertification is not. It is expected that the primary employers impacted would tend to be large, unionized, and engaged in hazardous industries. The claims most at risk for good faith and fair dealing problems will be the large, serious claims and most likely those that have a high propensity to become pensions. There are a few SIEs who incur over 3,000 claims annually and a handful of large municipalities that typically have more than 1,000 claims annually. If any of these accounts decertify, there will be additional strain placed on State Fund. The decertified accounts would come with high-risk claims with increased costs with a likelihood to move to pension. Additionally, it would most likely increase the workload for the State Fund Claims Program since L&I would have to manage the more serious claims therefore highly-complicated which had been previously managed under self-insured employers.

Appropriated – Operating Costs

This proposed bill increases expenditures to the Accident Account, fund 608, and the Medical Aid Account, fund 609. The following assumptions were used to estimate the resources requested to implement this bill.

L&I has limited data, since Chapter 293, 2023 Laws (SHB 1521) went into effect, however we are expecting to see an increase in penalty referrals as worker awareness and self-advocacy increases.

- Under the proposed legislation, the good faith and fair dealing duty would expand to all SIEs and TPAs,– a 514 percent increase over the current number of businesses subject to the duty:
- We anticipate 2,376 penalty referrals for calendar year 2025.

- When this proposed legislation goes into effect, we anticipate 155 percent growth in penalties. This results in a total of 6,053 penalties in calendar year 2026, an increase of 3,677 from calendar year 2025.

In light of this analysis, to effectively administer this legislation, the SI Program requires additional resources based on the assumptions below:

- 6,053 total anticipated penalty requests each year beginning 1/1/2026.
- Each Penalty Adjudicator can handle 540 penalty requests per year.
- This results in a need of about 11 FTEs. ($6,053 / 540 = 11.2$)
- The SI Program currently has four Workers' Compensation Adjudicator (WCA) 5 Penalty Adjudicator positions.
- This results in a need of seven additional FTEs.
 - 7/1/2025 – 1.0 WCA6 Penalty Supervisor. This is a working supervisor position.
 - 1/1/2026 – 3.0 WCA5s, with one being dedicated to complex claim reviews.
 - 7/1/2026 – 2.0 WCA5s.
 - 10/1/2026 – 1.0 WCA5.
- Additional information for these FTEs, along with other requested FTEs, is provided in the Staffing section below.

Staffing

- 1.0 FTE, WCA6, permanent, beginning July 1, 2025. Duties include leading and directing multiple work streams, acting as a penalty subject matter expert, and processing penalty requests as a working supervisor. Duties also include working with other areas of the program to track good faith violations, and ensuring workers are informed of their rights. Duties also include writing and updating communications, keeping web information up-to-date, and developing and monitoring data and reporting needs regarding penalties and ad hoc reports as requested. Additionally, the WCA6 will coordinate, supervise, and direct the 11 WCA5s and one Office Assistant 3 (OA3) assigned to the unit. The WCA6 will oversee day-to-day operations of the team to ensure accuracy and compliance with rules, policies, and established work standards and

processes. The WCA6 will participate in the development of rules, policies, tasks, procedures, and performance standards needed to ensure consistent work is performed by members of the team.

- 5.0 FTEs, WCA5, permanent, two beginning January 1, 2026, two beginning July 1, 2026, and one beginning October 1, 2026. Duties include issuing legal determination for final disposition of claimants' and self-insurance staff requests for penalties on industrial insurance claims based on the merits and facts found within the claim file. Duties include assigning, tracking, and reviewing recommendations from level 3, 4, and 5 adjudicators, including the medical compliance consultant, to determine appropriateness of assessment or denial of penalties against SIEs per statutes and rules. Duties also include reviewing penalty recommendations and calculating dollar amount of penalties. Duties also include referring appeals to the Board of Industrial Insurance Appeals (BIIA), giving depositions related to decisions made on specific claims, and testifying on facts related to department action for all penalty appeals at the BIIA. To resolve appeals, makes recommendations of approval/denial of settlements to the SI Program Manager. Duties also include answering phone calls, assisting workers, employers, and TPAs with questions and concerns.
- 1.0 FTE, WCA5, permanent, beginning January 1, 2026. Duties include independently performing complex claim reviews by claim, SIE, or TPA to investigate good faith and fair dealing violation allegations and possible patterns of behavior in response to external requests or under our own merits. The WCA5 will provide expert level consultation with SI staff and management. Based on thorough reviews, they will compile data, draw conclusions, make assessment recommendations, and present their findings to SI program management regarding SIEs and TPAs for violations of good faith and fair dealing. They will participate in quarterly collaborative meetings with other SI program areas to provide good faith fair dealing context to larger performance conversations. This WCA5 will prioritize work items and work within tight deadlines to make accurate, defensible decisions. The work of this adjudicator will be of high interest by internal and external stakeholders and must stand up under scrutiny at all levels of legal action. They may be called to testify on good faith and fair dealing appeals. This adjudicator will develop

checklists and tools to create standard work products designed to build consistency and reliability in process. They will participate in projects and workgroups aimed at making our process more efficient and effective. This is based on the following assumptions:

- 6,053 penalty requests made per year.
 - 5 percent of requests will lead to further complex file review to address issues on individual claims or to assess pattern of behavior on the part of an SIE or TPA.
 - Reviewing, compiling of data, formulation, and presentation of recommendations will require approximately 8 hours per claim.
 - With these assumptions:
 - $6,053 \text{ penalty referrals} \times 5\% \text{ requiring complex claim review} = 303 \text{ complex claim reviews per year}$
 - $303 \text{ complex claim reviews} \times 8 \text{ hours per claim} = 2,424 \text{ hours per year}$
 - Therefore, 1.0 WCA5 FTE is needed for the total workload. ($2,424 \text{ hours} / 2,088 \text{ FTE hours} = 1.16 \text{ FTE}$)
- 0.5 FTE, OA3, permanent, beginning October 1, 2025. Duties include providing administrative, non-adjudicative support to penalty adjudicators, reviewing and analyzing incoming document types, creating work items for penalty adjudicators, and/or routing the imaged document to the appropriate party. Duties include reviewing BIIA documents, identifying ones that need further adjudicative action, and creating a work item for the claim adjudicator. Duties also include identifying new protests to determinative orders and disputes to the penalty adjudicator, and sending out acknowledgment letters to the parties. Duties also include handling incoming phone calls and returning voicemails in a timely manner as it pertains to basic claim processing questions, protests, and appeals. This is based on the following assumptions:
 - Reviewing incoming mail, creating work items – 38 hours per month, or 456 hours per year.
 - Processing and tracking certified mail – 50 hours per month, or 600 hours per year.
 - Sending requests to providers, SIEs, and TPAs for missing documents on provider disputes – 6 hours per month, or 72 hours per year.

- Tracking proof of payment, sending follow-up letters as necessary – 37 hours per month, or 444 hours per year.
- Answering/returning phone calls – 12 hours per month, or 144 hours per year.
- Coordinating language translations – 20 hours per month, or 240 hours per year.
- Other administrative duties – 10 hours per month, or 120 hours per year.
- Tasks equal 2,076 hours per year. ($456 + 600 + 72 + 444 + 144 + 240 + 120 = 2,076$)
- Therefore, 1.0 OA3 FTE is needed for the total workload. ($2,076 \text{ hours} / 2,088 \text{ FTE hours} = 0.99 \text{ FTE}$)
- The penalty adjudication team currently has 0.5 OA3 FTE.
- Therefore, 0.5 additional OA3 is needed.

The potential for additional staff exists in cases where the SIE is decertified due the provisions in this bill and defaults on their claims obligations. That is indeterminate at this time.

Attorney General – Legal Services

\$1,005,000 is needed in fiscal year 2026 and \$2,013,000 is needed annually beginning in fiscal year 2027 for 4.6 FTE Assistant Attorney General (AAG), 4.6 FTE Paralegal 2, and 2.3 FTE Paralegal 1 for legal services. The following assumptions were used to calculate the estimates:

- 3,677 additional penalty requests per year are expected.
- Historically, approximately 10 percent have resulted in appeals.
- 368 is the baseline appeal level. ($3,677 \text{ penalties} \times 10\% = 368$)
- A 50 percent increase in the baseline appeal level is expected. With the large monetary incentive associated with this bill, and that three penalties can result in decertification of the self-insured employer, a higher appeal rate is expected.
- Therefore, 552 appeals per year are expected. ($368 \text{ baseline} + 184 \text{ increase (50\% of baseline)} = 552 \text{ total}$)

Indirect Costs

The amount included in this fiscal note for indirect is:

Fund Name		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
608	Accident	10,000	25,000	25,000	25,000	25,000	25,000
609	Medical Aid	10,000	24,000	25,000	25,000	25,000	25,000
	Total:	\$20,000	\$49,000	\$50,000	\$50,000	\$50,000	\$50,000

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 5 (Range 59, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5463 SB	Title: Industrial insurance/duties
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Part I: Jurisdiction—Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☒ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 250-5931	Date: 01/30/2025
Leg. Committee Contact: Susan Jones	Phone: 360-786-7404	Date: 01/25/2025
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/30/2025
OFM Review: Courtney Kinney	Phone: 360 584 5705	Date: 01/31/2025

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This legislation expands the definition of self-insured employer in RCW 51.14.080 (Withdrawal of Certification) and RCW 51.14.180 (Duty of Good Faith rules/violations) for compliance with industrial insurance requirements.

Sec. 3 is a new section that applies this act to all claims regardless of date of injury.

Sec. 4 is a new section that provides an effective date of January 1, 2026.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill would not impact local government expenditures.

This legislation changes the term "self-insured municipal employer" to "self-insurer" in RCW 51.14.080 and changes "municipal employers and self-insured private sector firefighter (employers)" to "employers and third-party administrators" in RCW 51.14.180. These changes do not exclude municipal employers from complying with the RCWs.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would not impact local government revenues.

SOURCES

Association of Washington Cities