

SENATE BILL REPORT

SHB 1527

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 22, 1993

Brief Description: Modifying funding of the dependent care program.

SPONSORS: House Committee on Appropriations (originally sponsored by Representatives Linville and Locke; by request of Office of Financial Management)

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bauer, Cantu, Gaspard, Jesernig, Moyer, Niemi, Pelz, Roach, Snyder, Sutherland, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: March 22, 1993

BACKGROUND:

The Dependent Care Assistance Program allows state employees to set aside a portion of their salary, before taxes, to be used to reimburse dependent care providers. The federal Internal Revenue Service establishes various limitations on the amount of money that can be set aside and how it may be used. One limitation is that any amounts set aside that are not used by the end of the year are forfeited. Forfeitures are currently transferred to the general fund, as is the interest earned during the year on funds set aside by employees.

The program is administered by the Committee for Deferred Compensation. Administrative expenses for the program are appropriated from the general fund. The program's budget for the 1993-95 biennium is expected to be \$353,000.

Employers experience a slight cost savings when employees participate in the plan because the employer does not have to pay social security taxes on any salary dollars set aside under the program.

SUMMARY:

The Dependent Care Administrative Account is established to pay administrative expenses of the Dependent Care Assistance Program, rather than having expenses paid through a general fund appropriation.

The following are deposited in the account: (1) Any funds set aside but unused at the end of the year and considered forfeited under the program -- previously deposited in the general fund; and (2) charges to agencies for all or a portion of the estimated savings experienced due to reductions in employer social security contributions for program participants.

The Committee for Deferred Compensation is authorized to bill agencies periodically to recoup the employer savings to pay for program expenses.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect July 1, 1993.

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one