
Appropriations Committee

HB 2652

Brief Description: Transferring the dependent care assistance program to the health care authority by coordinating benefit plans that allow state and public employees to pay on a pretax basis.

Sponsors: Representatives Morrell, Fromhold, Moeller, McIntire, Simpson and Kenney; by request of Health Care Authority and Department of Retirement Systems.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Transfers administration of the Dependent Care Assistance Program from the Department of Retirement Systems to the Health Care Authority.

Hearing Date: 1/23/08

Staff: David Pringle (786-7310).

Background:

The Dependent Care Assistance Program (DCAP) 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. 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.

The program is administered by the Department of Retirement Systems (DRS), and about 1,100 public employees are utilizing the program, with annual deferrals totaling about \$4.3 million.

The Health Care Authority administers health, life, disability and other benefit and insurance programs for employees and retirees of the state government, local governments, and school districts. Among those programs are ones like the Health Care Flexible Spending Account Program (FSA), which is a pre-tax salary set-aside program operated under the same provisions of

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the federal Internal Revenue Code as the DCAP program administered by the Department of Retirement Systems. The FSA program reimburse employees for health care expenses such as health care deductibles, copayments, eligible non-prescription medications, and other items not covered by insurance.

In 2007, the Department of Retirement Systems and the Health Care Authority arranged by interagency agreement that beginning January 1, 2008, DCAP will be administered by the Health Care Authority's Public Employees Benefits Board (PEBB) program.

Summary of Bill:

The administration of the Dependent Care Assistance Program and associated funds are transferred from the Department of Retirement Systems to the Health Care Authority. Changes are made to the definition of "benefits contribution plan" within the Health Care Authority laws, renaming them "premium payment plans" and expanding the definition sufficiently to encompass both the DCAP and the Medical Flexible Spending arrangement, or Health Care Flexible Spending Account program. Department of Retirement Systems laws related to the DCAP are repealed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2009.