

AMERICAN PAYROLL ASSOCIATION

February 19, 2018

The Honorable Mike Sells
Chair, Labor and Workforce Standards Committee
Washington House of Representatives
267A John L. O'Brien Building
P.O. Box 40600
Olympia, WA 98504-0600

The Honorable Gina McCabe
Ranking Minority Member
Labor and Workforce Standards Committee
Washington House of Representatives
431 John L. O'Brien Building
P.O. Box 40600
Olympia, WA 98504-0600

Re: S.B. 6264 - 2017-18 – An act relating to contracting by institutions of higher education with private entities; oppose as written

Dear Representatives Sells and McCabe:

The American Payroll Association (APA) is concerned about the impacts of S.B. 6264 on institutions of higher education. The bill would block these institutions from following well-established best practices in the management of payroll because it broadly prohibits outsourcing of all payroll and human resource administration, which is overly broad and unnecessary.

Established in 1982, APA is a nonprofit professional association serving the interests of more than 20,000 payroll professionals in the United States, including many payroll managers at universities and colleges in Washington. APA's primary mission is to educate members and the payroll industry about the best practices associated with paying America's workers while complying with all applicable federal, state, and local laws. APA works with legislative and executive branches at the federal and state levels to help employers understand their legal obligations with significant emphasis on minimizing the administrative burden on government, employers, and individual workers.

APA understands the concerns from the senate bill report regarding the outsourcing of unemployment insurance claims administration in which disputes between the claims

administrator and part-time faculty left these faculty without unemployment compensation benefits even though they did not have a reasonable assurance of continued work. However, translating these narrow outsourcing practices of unemployment insurance claims administrators to all third-party payers, including those providing payroll and human resources administration, is not justified. In fact, the information provided to senators showed that payroll administrators and Professional Employer Organizations were not involved in the unemployment disputes. No concerns were expressed about any other type of outsourcing.

In addition, as written, the bill would only incidentally prohibit outsourcing to the unemployment insurance claims administration industry, the main subject of concern, through an added clause, “or any other type of employer representative on behalf of the institution of higher education to the employment security department.” These claims administrators are not third-party payers under Revised Code of Washington (RCW) 50.04.248 nor are they Professional Employer Organizations under RCW 50.04.298.

APA is greatly concerned about the added administrative burden and costs imposed on payroll functions at universities and colleges in Washington under S.B. 6264. For example, the University of Washington stated in its fiscal analysis of the bill that the impact on its international activities in research and public health would be significant. The university’s partners in other countries may contract with payroll providers who are experts at navigating complex tax withholding laws in those countries. To manage these laws internally would impose substantial liability and financial risks. The University of Washington stated, “We estimate that the cost could be in the millions of dollars, but would certainly exceed the \$50,000 threshold.”

Payroll managers and their employers at Washington’s institutions of higher learning should be able to conduct their own analyses of when to manage payroll internally or outsource some or all of their operations. Each institution is different and the role of payroll professionals diverse. These tasks include understanding and implementing income tax laws and the myriad of forms at the federal, state, and international levels; child support and other garnishment requirements; Social Security Administration filings; and labor department issues, such as new hire reporting and minimum wage and overtime rules. Payroll managers may also play a role in human resource functions, such as employment verification and other onboarding tasks.

APA urges you to reconsider S.B. 6264 to, at minimum, narrow the provisions to carve out payroll and human resource management. This overly broad legislation is not in the interest of supporting institutions of higher education.

If you would like more information about payroll management and this bill's effects on colleges and universities, call or email Alice Jacobsohn, APA's Senior Manager of Government Relations, at 202-248-3901 or ajacobsohn@americanpayroll.org; or Michael O'Toole, APA's Senior Director of Publications, Education, and Government Relations, at 210-630-4303 or motoole@americanpayroll.org.

Sincerely,



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Senior Director of Publications,
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