

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Logger Safety Program
Budget Period:	2015-17
Budget Level:	M1-LS

Agency Recommendation Summary Text

The Logger Safety Initiative (LSI) was created in 2013 as a collaborative effort between industry and government to improve the safety culture and reduce the cost of workers' compensation premiums in the logging industry. Logging employers can reduce their workers' compensation costs by up to 20 percent if they volunteer for LSI the program. So far, 103 logging companies and nine forestry landowners have signed up to participate. The program is funded only through June 2015. The Department of Labor & Industries seeks funding to keep the program alive.

Fiscal Detail

Operating Expenditures	FY2016	FY2017	Total
Accident Fund, 608-1	\$790,000	\$790,000	\$1,580,000
Medical Aid Fund, 609-1	\$247,000	\$247,000	\$494,000
Total Cost	\$1,037,000	\$1,037,000	\$2,074,000

Staffing	FY16	FY17	Total
General Fund-State, 001-1			0
All Other Funds	8.0	8.0	8.0
Total	8.0	8.0	8.0

Package Description

Background

The workers' compensation premium rates for manual logging are the highest in the state – an unsustainable \$20.18 per hour in 2014. There are a couple of reasons for the high rates:

- Logging has a large number of high-cost catastrophic injuries and deaths compared to other industries. For example, injuries resulting in immediate hospitalization (i.e., acute hospitalizations) are more than 50 times greater for loggers than all other risk classes combined. Also, manual loggers have a 6 in 10 chance of being injured each year.
- Many logging companies under-report their employees' work hours to avoid paying workers' compensation premiums. As a result, the base rate has more than doubled over the past five years. The rates are likely to remain elevated due to the high number of severe injuries that occur.

In 2012-13, leaders from the Washington Contract Loggers Association (WCLA), the Washington Forest Protection Association (WFPA), the Commissioner of Public Lands and L&I

formed a Logger Safety Initiative Taskforce. The primary goals were to identify ways to improve the safety culture and performance of the industry in order to reduce the frequency and severity of injuries. The taskforce also recognized that logging businesses that underpay their workers' compensation premiums drive up rates for all logging businesses in Washington.

To address these concerns, the Logger Safety Initiative (LSI) established sector-wide standards for worker training, performance and supervision. Companies that want to participate in LSI agree to:

- Implement the LSI safety standards and undergo review through mandatory, performance-based, third-party audits and consultation services from L&I's Division of Occupational Safety and Health (DOSH).
- Accurately report their workers' hours, as verified through mandatory L&I audits. If everyone in the industry group reports correctly, it will keep rates as low as possible for everyone and create a level playing field.

Employers that participate in the safety program are eligible for a workers' compensation rate reduction of up to 20 percent, significantly reducing the 2014 base rate from \$20.18 per hour to \$16.17 per hour. If the full discount had been available to participating logging companies in 2013, employers would have paid an estimated \$2 million less in premiums.

As directed by the state Legislature, several other L&I programs gave up funding and staff to help get the Logger Safety Initiative started, including paying for and managing the third-party auditor contract. These funds and staff resources last only through June 2015.

Current situation

Legislation adopted in 2013 acknowledged the need for the Logger Safety Initiative. The 2013-15 biennial budget required L&I to cover contract costs for the independent third-party auditor, to create one new L&I staff position to support the program, and to assign at least two existing workers' comp premium auditors plus other support as needed. The budget proviso directed the agency to recoup part of the funding by taking money from the Safety and Health Investment Project, or SHIP (which provides safety-and-health and return-to-work grants to employers). The legislation also directed the department to include partial cost of the program in workers' compensation premiums for the forest products industry in the 2014, 2015 and 2016 rates.

Prior to the start of the Logger Safety Initiative, there were two FTEs dedicated to the logging industry. To support the LSI program, an additional seven FTEs have been reallocated from elsewhere in L&I. Below are the program's requirements and incentive and the FTE impact.

- ***Safety and health comprehensive consultation:*** The Logger Safety Initiative requires employers to undergo an initial comprehensive safety consultation before being approved for the program and an annual comprehensive consultation after passing their independent safety audit. While consultation services have always been available to employers at their request, these services are *required* if they want to participate in LSI and receive the workers' comp premium discount. The full-service consultation verifies a company's compliance with

existing workplace safety standards and looks at the employer's compliance with the LSI program. Prior to LSI, there were 1.5 FTEs dedicated to logging consultation; due to strong demand for the LSI program, there are now five full-time staff dedicated to logging consultations.

- ***L&I technical premium audits:*** LSI requires participating employers to undergo a L&I technical audit to ensure they're accurately paying their workers' comp premiums. The technical audit looks back at six quarters of record-keeping; if it shows the company owes premiums, no penalties or interest are assessed, but the employer must pay any premiums owed. LSI participants also must undergo a technical audit to renew their LSI certifications.

Prior to LSI, there were no premium auditors dedicated to the logging industry. The 2013-15 biennial budget directed L&I to assign two auditors to the LSI effort. They were reassigned from construction and fixed-industry audits to focus on the logging industry to conduct both technical premium audits and compliance audits (which may look back further than six quarters and assign penalties if violations are found).

- ***New reporting requirements:*** In the past, L&I didn't always know where logging work was happening in order to ensure compliance with safety requirements. LSI employers must report to L&I within 48 hours of starting work at a new logging/cutting site with details about the site location, logging systems, cutting method(s) and expected duration of the job. LSI employers also submit monthly supplemental reports listing employee hours and job duties (in addition to their quarterly reporting). This helps keep better track of work hours to ensure compliance. In addition to managing the contract and overall program, the program specialist (the new FTE created to support the Logger Safety Initiative) is responsible for managing the reporting aspects of the program as well.
- ***Mandatory performance-based safety audits:*** To obtain LSI certification, an employer must pass an independent third-party safety audit to verify compliance with the Logger Safety Initiative requirements. The LSI Taskforce developed the external auditor qualifications and audit materials, and participated in selecting the contractor. The contractor currently is working to certify companies that meet the LSI requirements. The program specialist is responsible for managing the auditor contract, which lasts through June 2015.
- ***Financial incentive:*** Under LSI, logging companies can reduce their workers' comp costs by up to 20 percent if they comply with the requirements described above. If the LSI program were to end, these employers would lose their workers' comp discount.

The LSI Taskforce meets every month to discuss policy issues and to refine and enhance the program. In addition, the taskforce serves as an advisory committee, providing recommendations to L&I about suspending or terminating employers that violate requirements of the program.

The Logger Safety Initiative has guaranteed funding only through June 2015. Permanent funding is needed to continue it into the next biennium without shortchanging other L&I programs.

Additionally, a report is required to the legislature by December 31, 2014, with recommendations for permanently funding this program.

Narrative Justification and Impact Statement

Proposed solution

The Logger Safety Initiative was developed to help reduce injury rates, increase accurate reporting of premium hours and substantially cut costs within risk class 5001. To continue the program as currently designed, L&I needs permanent funding for seven positions and the independent safety auditor:

- 1 Program Specialist 5 to manage the overall program and the third-party contract.
- 3.5 Safety & Health Specialist 3's to conduct comprehensive safety consultations.
- 2 Auditor 4's to conduct logging technical premium audits.
- 0.50 WMS to oversee the program, work with stakeholders, coordinate the taskforce meetings and coordinate policy decisions.
- \$500,000 for independent third-party safety auditor contract.

The LSI consultation specialists and auditors were reallocated from fixed-industries and construction programs to support LSI. Without permanent funding for these positions, the construction industry and fixed industries will not be adequately staffed – especially as the economic recovery is quickly increasing the workload for the construction industry.

As directed by the Legislature, L&I will include a portion of the LSI program costs in the annual workers' comp premiums for the forest products industry. L&I will continue to partner with the industry through the LSI Taskforce to continually examine the costs and potential improvements in the program.

What specific performance outcomes does the agency expect?

- Reduce the frequency and severity of logging-related injuries and deaths.
- Increase the number of logging companies that accurately report work hours to L&I.
- Reduce workers' comp premiums in the logging industry.

Performance measure detail

L&I currently does not report to Results Washington on any performance measures related to the logging industry, although the program supports the Goal 4: Safe & Healthy Communities.

Is this package essential to implement one of the agency's strategic goals?

This package supports four of L&I's strategic goals:

- Goal 1, Make workplaces safe
 - 1.1 Reduce injury rate at workplaces visited by L&I
 - 1.2 Foster a culture of safety at as many workplaces as possible
- Goal 2: Help injured workers heal and return to work
 - 2.2 Reduce preventable disability

- Goal 3: Make it easy to do business with L&I
 - 3.2 Decrease time and costs for customers
 - 3.3 Improve specific processes based on customer needs & expectations
- Goal 4: Help honest workers, businesses & providers by cracking down on dishonest ones
 - 4.1 Improve identification of bad actions
 - 4.3 Decrease number of bad actions

Does this package provide essential support to one or more [Results Washington](#) priorities?

Goal 2: Prosperous Economy and Goal 4: Healthy and Safe Communities.

What are the other important connections or impacts related to this proposal?

Industry leaders from the Washington Contract Loggers Association (WCLA), Washington Forest Protection Association (WFPA) and the Dept. of Natural Resources have been highly involved with establishing the Logger Safety Initiative.

The premium assessment on the entire forest products industry to help pay for the program may cause concern with non-logging companies within this broad industry category. However, with the support of the WCLA and WFPA, we believe these concerns can be addressed.

The Logger Safety Initiative is a potential model for working with representatives from other high-risk industries to engage them in improving their safety culture and avoiding serious injuries and disability.

Describe any impact on other government (local or state) programs.

The Dept. of Natural Resources, as one of the largest landowners in the state, has been very involved in developing the Logger Safety Initiative and serves on the taskforce., DNR has not yet signed up to be a LSI landowner participant, but has indicated it plans to join the program.

What alternatives were explored by the agency, and why was this alternative the best?

This was a collaborative effort with the logging industry. Other options were discussed at stakeholder meetings, but this approach was chosen and developed based on the industry input.

What are the consequences of adopting or not adopting this package?

If this package is not funded, L&I is faced with the choice of understaffing other activities at the agency or reducing support for the LSI program. Given the surprisingly strong positive response from the logging industry, we believe LSI may become a model for other high-risk industries and should be continued without reductions until fully implemented and evaluated.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

As part of the annual rate-setting process, L&I will assess costs into the calculation of workers' compensation premiums for the forest products industry (including self-insurance hours) to help

pay for the independent third-party contract and other costs of the program. Stakeholders will have a chance to testify on the surcharge as part of the open rule-making process.

Expenditure calculations and assumptions

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

None.

Budget impacts in future biennia:

All costs and FTEs are ongoing.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	7.0	7.0	7.00	7.0	7.0	7.0
FTEs - Indirect	1.0	1.0	1.0	1.0	1.0	1.0
Objects of Expenditure:						
A - Salary and Wages	413,000	413,000	826,000	826,000	826,000	2,478,000
Indirect FTE Salary	33,000	33,000	66,000	66,000	66,000	198,000
B - Employee Benefits	156,000	156,000	312,000	312,000	312,000	936,000
Indirect FTE Benefits	12,000	12,000	24,000	24,000	24,000	72,000
C - Contracts	250,000	250,000	500,000	500,000	500,000	1,500,000
E - Goods and Services	138,000	138,000	276,000	276,000	276,000	828,000
AG Costs			0			0
G - Travel	35,000	35,000	70,000	70,000	70,000	210,000
J - Capital Outlays			0			0
TOTAL Expenditures	1,037,000	1,037,000	2,074,000	2,074,000	2,074,000	6,222,000
Funds:						
608 - Accident Account	790,000	790,000	1,580,000	1,578,000	1,578,000	4,736,000
609 - Med Aid Account	247,000	247,000	494,000	496,000	496,000	1,486,000
TOTAL Funds	1,037,000	1,037,000	2,074,000	2,074,000	2,074,000	6,222,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-	Biennium 2019-	TOTAL
001 - General Fund	0	0	0	0	0	0
01F - Crime Victim Account	0	0	0	0	0	0
095 - Electrical Account	0	0	0	0	0	0
608 - Accident Account	32,581	32,581	65,162	65,162	65,162	195,486
609 - Medical Aid Account	12,520	12,520	25,040	25,040	25,040	75,120
Other	0	0	0	0	0	0
TOTAL Funds	45,101	45,101	90,202	90,202	90,202	270,606

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect-cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Lease Rate Adjustments
Budget Period:	2015-17
Budget Level:	M2-8L

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) requests funding for increased leased office space costs occurring in the 2015-17 biennium.

Fiscal Detail

Change to Agency Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	0.0	0.0	0.0
TOTAL FTEs	0.0	0.0	0.0

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001 General Fund-State	6,000	0	6,000
608 Accident Account-State	80,000	61,000	141,000
609 Medical Aid Account-State	80,000	60,000	140,000
TOTAL Expenditures	166,000	121,000	287,000

Package Description

Background

L&I, through the Department of Enterprise Services (DES), negotiates building lease contracts with private companies. Increased lease costs will be incurred in the 2015-17 biennium as contracts are negotiated for the following:

- Field offices in Port Angeles, Tacoma, East Wenatchee, Kennewick, Moses Lake and Pullman. The Kennewick office lease estimate includes an additional 1,425 square feet.

There is a lease increase effective February 1, 2015, on the warehouse location.

There is a lease increase effective September 1, 2015, on the Yakima office.

New lease costs incurred in the 2013-15 biennium as contracts were negotiated for the following:

- Field offices in Bellingham, Mt Vernon, Bellevue and Bremerton.

There also was a lease increase effective July 1, 2014, on the Town Center 3 building, which houses the Self-Insurance, Crime Victims, Safety & Health Assessment and Research for Prevention and Fraud Prevention programs.

Current Situation

Office building lease costs are increasing for several offices throughout the state.

Narrative Justification and Impact Statement

Proposed Solution

Increased appropriation authority is requested to cover the anticipated cost increase for leased space.

What specific performance outcomes does the agency expect?

The requested funding will allow Labor and Industries to continue to meet the needs of its customers by funding agency leases.

Performance measure detail

The performance measures the agency reports on in Results Washington will not be affected.

Provide a description if this package is essential to implement one of the agency's strategic goals (linked with the agency's strategic plan)?

This decision package supports our agency mission to "Keep Washington Safe and Working" by improving safety, service and value. It will allow L&I to continue to deliver high-quality, efficient and cost-effective services to our customers. This proposal supports all L&I's activities.

Does this decision package provide essential support to one of the Governor's priorities?

1.3 Increase/maintain timely delivery of state services.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

Result #10: Strengthen government's ability to achieve results efficiently and effectively.

What are the other important connections or impacts related to this proposal?

With the funding of this request, clients will not see a change in service.

Describe any impact on other government (local or state) programs.

None.

What alternatives were explored by the agency, and why was this alternative the best?

None.

What are the consequences of not funding this package?

In most cases less expensive office space will need to be identified, acquired and occupied.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions:

Detailed cost estimates for lease increases are shown in Table A below. Additional information for each lease is available upon request.

Which costs and functions are one-time?

There are no one-time costs.

Which are ongoing?

All lease costs are on-going.

What are the budget impacts in future biennia?

All lease costs are ongoing.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
Objects of Expenditure:						
E - Goods and Services	166,000	121,000	287,000	47,000	47,000	381,000
TOTAL Expenditures	166,000	121,000	287,000	47,000	47,000	381,000
Funds:						
001 - General Fund-State	6,000	0	6,000	0	0	6,000
608 - Accident Account	80,000	61,000	141,000	24,000	24,000	189,000
609 - Medical Aid Account	80,000	60,000	140,000	23,000	23,000	186,000
TOTAL Funds	166,000	121,000	287,000	47,000	47,000	381,000

Revenue calculations and assumptions:

There is no additional revenue generated by this request.

Table A – Lease Rate Comparison

Property	Renewal	13-15 Biennium	15-17 Biennium	Difference*	Carry Forward*
Bremerton	Feb 2015	345,535.80	361,752.00	16,000.00	-
Warehouse	Feb 2015	250,151.92	261,079.20	11,000.00	-
Mt Vernon	Mar 2015	426,737.60	434,856.00	8,000.00	-
Bellevue	Apr 2015	568,522.50	514,500.00	(54,000.00)	-
Bellingham	Apr 2015	387,891.00	425,208.00	37,000.00	-
Kennewick	Jul 2015	412,125.12	515,448.00	103,000.00	-
Tacoma	Jul 2015	1,419,450.00	1,480,642.56	61,000.00	-
Kelso	Jan 2016	378,028.08	378,028.08	-	-
East Wenatchee	Apr 2016	325,310.16	345,532.26	20,000.00	12,000.00
Port Angeles	May 2016	112,800.00	119,030.00	6,000.00	4,000.00
Pullman	Sep 2016	41,615.76	43,340.36	2,000.00	2,000.00
White Salmon	Oct 2016	8,400.00	8,673.00	-	-
Moses Lake	May 2017	316,944.00	319,360.00	2,000.00	27,000.00
TC3-lean space	Jul 2017	76,464.13	105,000.00	29,000.00	-
Aberdeen	Aug 2017	208,242.48	208,242.48	-	-
TC3-Crime Victims	Aug 2017	423,624.12	429,251.04	6,000.00	-
TC3-Fraud Prevention	Aug 2017	714,750.13	724,244.16	9,000.00	-
TC3-Self Insurance	Aug 2017	821,301.70	832,211.04	11,000.00	-
TC3-SHARP	Aug 2017	254,351.67	257,730.24	3,000.00	-
Yakima	Aug 2017	580,320.00	596,943.86	17,000.00	2,000.00
Spokane	Sep 2017	999,643.44	999,643.44	-	-
Tukwila	Sep 2017	921,658.32	921,658.32	-	-
Seattle	Oct 2017	1,886,716.08	1,886,716.08	-	-
Everett	Jun 2018	1,153,824.00	1,153,824.00	-	-
Vancouver	Mar 2019	648,706.92	648,705.60	-	-
Plum St-Building 6	Jul 2019	665,233.92	665,233.92	-	-
Total		14,348,348.85	14,636,853.64	287,000.00	47,000.00

* - rounded to nearest 1,000

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Cost Allocation Adjustment
Budget Period:	2015-17 Biennial Budget
Budget Level:	M2 -8Y

Agency Recommendation Summary Text

Labor and Industries requests a change in appropriation level by fund to distribute direct and indirect costs to more equitably and fairly reflect costs of support to L&I's direct and indirect service programs.

Fiscal Detail

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001-1 General Fund State	(\$129,000)	(\$71,000)	(\$200,000)
03B-1 Asbestos Fund	(\$1,000)	(\$1,000)	(\$2,000)
095-1 Electrical License Account	(\$545,000)	(\$174,000)	(\$719,000)
163-1 Worker/Community Right to Know Account	(\$6,000)	(\$6,000)	(\$12,000)
234-1 Public Works Administration Account	(\$208,000)	(\$254,000)	(\$462,000)
262-1 Manufactured Home Installation	(\$15,000)	(\$9,000)	(\$24,000)
608-1 Accident Fund-State	\$928,000	\$1,067,000	\$1,995,000
609-1 Medical Aid Fund-State	\$65,000	(\$454,000)	(\$389,000)
885-1 Plumbing Certificate Account	(\$20,000)	(\$16,000)	(\$36,000)
892-1 Pressure Systems Safety Account	(\$85,000)	(\$66,000)	(\$151,000)
TOTAL Expenditures	(\$16,000)	\$16,000	\$0

Staffing	FY 2016	FY 2017	Total
001 - 1 General Fund State	0.0	0.0	0.0
All Other Funds	0.0	0.0	0.0
Total FTEs	0.0	0.0	0.0

Package Description

In the 2013-15 Biennium L&I did a program structure change to create a program called Labor Standards, Public Safety, and Field Support. This decision package realigns the administration and information technology services costs to reflect the appropriate funding source to support L&I programs including the Electrical program. The costs for legal services are realigned to reflect actual expenditures by fund primarily in the Public Works Account and Medical Aid and Accident Accounts.

It also realigns the 2015-17 Biennium indirect distribution of funding sources based on established indirect allocation methodology. Overall expenditures within the agency will not increase but will result in an equitable redistribution across all funding sources for indirect services. This realignment also keeps the department in compliance with Local Government Accounting Statute¹, which precludes one fund from benefiting another fund.

The department is mandated by this Local Government Accounting Statute to assure that activities funded primarily by one fund do not benefit at the expense of another fund.

L&I has worked with cost accounting expertise outside the agency to develop a sound method to equitably allocate indirect costs to the programs that benefit from indirect services.

This cost allocation policy includes:

- Allocating costs based on annual allotments for appropriated funds and the estimated benefit payments from the cash flow forecast for non-appropriated funds. Expenditures used as the basis for this annual allocation are the 2013-15 allotments including the Fiscal Year 2014 Supplemental as approved by Office of Financial Management (OFM) and the Legislature.
- Allocating costs across the programs or sub-programs based on the approved funding splits within the program/subprogram.
- Identifying and not allocating out across all programs and funds costs for services that benefit one program and charging to that program directly. Those costs are not allocated out across all programs and funds.

This realignment request decision package uses the above methodology to redistribute the charges for indirect services in an equitable manner across all funding sources.

Based on our current revenue estimates, this proposal can be accomplished utilizing fund balances within those funds managed by the agency with the exception of the Farm Labor Account.

All past indirect realignment decision packages approved by the Governor and the Legislature assumed no increased appropriation to the Farm Labor Account and shifted the increased indirect cost to the Accident and Medical Aid Accounts instead. This decision package follows that precedence.

¹ RCW 43.09.210

What specific performance outcomes does the agency expect?

Agency indirect costs are fairly and equitably shared amongst the direct service programs.

Performance measure detail

This proposal supports all Labor and Industries’ activities.

Provide a description if this package is essential to implement one of the agency’s strategic goals (linked with the agency’s strategic plan)?

L&I Strategic Goals:

This decision package supports our agency mission to “Keep Washington Safe and Working” by improving safety, service and value. It will allow the Department to continue to deliver quality, efficient and cost-effective services to our customers through addressing direct cost allocations accurately.

Does this decision package provide essential support to one of the Governor’s priorities?

Yes. Result: Strengthen Government’s ability to achieve efficient, effective, and accountable results.

Does this decision package make key contributions to statewide results?

Yes.

Would it rate as a high priority in the Priorities of Government process?

Yes. Improve State Government efficiency.

What are the other important connections or impacts related to this proposal?

The department has developed an equitable and fair process to allocate “indirect” costs or administrative costs such as personnel, payroll, accounting, budget, information services, legal services, etc. The agency will redistribute costs to more clearly reflect usage of indirect services.

This will allow the agency to develop unit costs for services that reflect the full costs of the service. These changes have a potential impact on some of the dedicated funds appropriated to the agency. This realignment proposal helps the stakeholders paying the fees into these accounts better understand that the revenues they pay in are being spent efficiently and properly.

Describe any impact on other government (local or state) programs.

This is an agency-wide issue that affects the fund balance of all of the funds appropriated to L&I. Some of these funds may be administered by other state agencies. The Right to Know Fund is administered by L&I but is appropriated among several other state agencies.

What alternatives were explored by the agency, and why was this alternative the best?

Options considered are:

- 1) Doing nothing could result in the possibility of receiving an adverse audit finding. This is not a viable alternative and places the agency and its executives in legal jeopardy.
- 2) Manage the fund implications of the model internally and not seek legislative appropriation changes. This is not a viable option for the smaller dedicated funds of the agency. Direct services in the programs funded by these accounts would be substantially reduced unless fees were adjusted to offset the requisite adjustment.

What are the consequences of not funding this package?

The agency would be in violation of the Local Government Accounting Statute. The agency could receive audit findings, which could place the agency and its executives at risk of legal action.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions:

Distinction between one-time and ongoing costs:

The cost allocation model will be updated every two years and adjustments will be submitted via the biennial budget process.

Budget impacts in future biennia:

These costs are revisited on an annual basis.

Expenditure Calculations	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2020-2021	TOTAL
FTEs	0.0	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:						
A - Salary and Wages	0	0	0	0	0	0
B - Employee Benefits	0	0	0	0	0	0
C - Pers Svc Contracts	0	0	0	0	0	0
E - Goods and Services	0	0	0	0	0	0
G - Travel	0	0	0	0	0	0
J - Capital Outlays	0	0	0	0	0	0
TOTAL Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

Funds:						
001-General Fund	(129,000)	(71,000)	(200,000)	(200,000)	(200,000)	(600,000)
03B-Asbestos Fund	(1,000)	(1,000)	(2,000)	(2,000)	(2,000)	(6,000)
095 Electrical	(545,000)	(174,000)	(719,000)	(719,000)	(719,000)	(2,157,000)
163 Wkr/Community Right to know	(6,000)	(6,000)	(12,000)	(12,000)	(12,000)	(36,000)
234 Public Works Administration	(208,000)	(254,000)	(462,000)	(462,000)	(462,000)	(1,386,000)
262 Manufactured Home Installation	(15,000)	(9,000)	(24,000)	(24,000)	(24,000)	(72,000)
608 Accident Account	928,000	1,067,000	1,995,000	1,995,000	1,995,000	5,985,000
609 Medical Aid Account	65,000	(454,000)	(389,000)	(389,000)	(389,000)	(1,167,000)
885 Plumbing Certificate	(20,000)	(16,000)	(36,000)	(36,000)	(36,000)	(108,000)
892 Pressure Systems Safety	(85,000)	(66,000)	(151,000)	(151,000)	(151,000)	(453,000)
Other	0	0	0	0	0	0
TOTAL Funds	(\$16,000)	\$16,000	\$0	\$0	\$0	\$0

**Implementation of 2015-17 Biennium Cost Allocation
Allocated Cost plus Direct Cost - Results by Fund**

Agency Total by Fund		Appropriated and Planned Expenditures	Impact of Update	Expenditures
1	General Fund	46,584,000	-200,000	46,384,000
03B	Asbestos	370,000	-2,000	368,000
95	Electrical	43,911,000	-719,000	43,192,000
162	Farm Labor	28,000	0	28,000
163	Right to Know	917,000	-12,000	905,000
234	Public Works	6,641,000	-462,000	6,179,000
262	Manufactured Home Installation	360,000	-24,000	336,000
885	Plumbers	1,770,000	-36,000	1,734,000
892	Pressure Vessel	4,246,000	-151,000	4,095,000
608 & 609	Workers Comp Trust	517,188,000	1,606,000	518,794,000
	Totals	622,015,000	0	622,015,000

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Implement Workers' Comp Reform and Stay at Work
Budget Period:	2015-17
Budget Level:	M1-WC

Agency Recommendation Summary Text

The Department of Labor & Industries is requesting \$3,578,000 and 18.6 FTE in the 2015-17 biennium to finish implementing 2011 workers' compensation reforms that are already generating good results.

L&I has demonstrated early success in reducing disability and improving outcomes for injured workers, but needs additional staff to finish implementing three key strategies to ensure that all providers deliver high-quality care and injured workers remain connected to their workplaces:

- Remove low-quality providers;
- Expand providers' use of evidence-based best practices; and
- Stay at Work incentives to ensure injured workers stay safely connected to their jobs.

Fiscal Detail

Operating Expenditures	FY2016	FY2017	Total
Medical Aid Fund, 609-1	\$1,908,000	\$1,670,000	\$3,578,000
Total Cost	\$1,908,000	\$1,670,000	\$3,578,000

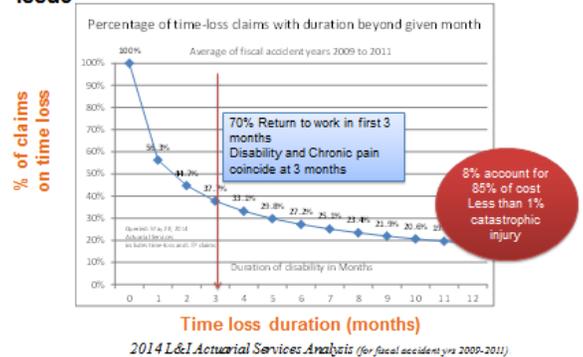
Staffing	FY16	FY17	Total
General Fund-State, 001-1			0
All Other Funds	18.6	18.6	18.6
Total	18.6	18.6	18.6

Package Description

Background

Preventing long-term disability among workers who aren't severely injured is a public health imperative and an overarching clinical and financial issue in workers' compensation. While most injured workers stop receiving time-loss payments within six weeks, others fail to recover. Similar to other insurers, only 8 percent of all injured workers account for about 85 percent of workers' compensation costs for the Dept. of Labor & Industries (L&I). The majority of these workers had mild to moderate injuries that should not necessarily result in long-term disability. High-quality, evidence-based healthcare and maintaining a connection to work are critical.

Disability Prevention is the Key Health Policy Issue



In 2011, the state Legislature passed workers' compensation reforms aimed at 1) improving the quality of injured-work care so they're less likely to end up with disabilities that prevent them from working, 2) controlling medical costs, and 3) providing incentives to employers to offer light-duty work so their injured workers stay connected to the workforce while recovering.

Key elements of the legislation included:

- L&I must expand Centers of Occupational Health & Education (COHE) throughout Washington. COHEs are community-based organizations that use occupational-health best practices to treat injured workers (COHE providers are eligible for higher L&I reimbursement rates). A 2011 study found that injured workers seeing COHE-trained providers had 20 percent fewer time-loss days (30 percent fewer days for low-back injuries), reducing disability for the workers and saving \$500 per claim in the first year.
- L&I was directed to create a medical-provider network (referred to as a Top Tier network) for providers that choose not to join COHEs, or when COHEs are not active in their locales. Participating providers must meet minimum standards and agree to follow L&I's evidence-based treatment guidelines. Providers who are accepted into the network and can demonstrate the use of L&I's best practices may qualify for financial and other incentives. Providers not meeting the standards may be denied access or removed from the network. Injured workers are required to use a network provider after their first medical appointment.
- L&I provides a financial incentive (reimbursements for partial wages, tools and related items) for employers to offer light-duty options while their injured workers heal. This Stay at Work program is keeping workers employed and reducing the likelihood of long-term disability. Stay at Work saves \$2.40 in workers' compensation costs for every dollar spent.

To date, the 2011 workers' compensation reforms have gotten good results. Provider network standards and recruitment, expansion of COHE and implementation of best practices (such as new opioid rules) have rolled out on time and are generating better results than expected. In addition, the Stay at Work Program is proving to be popular with employers.

All of this success has created unanticipated workload:

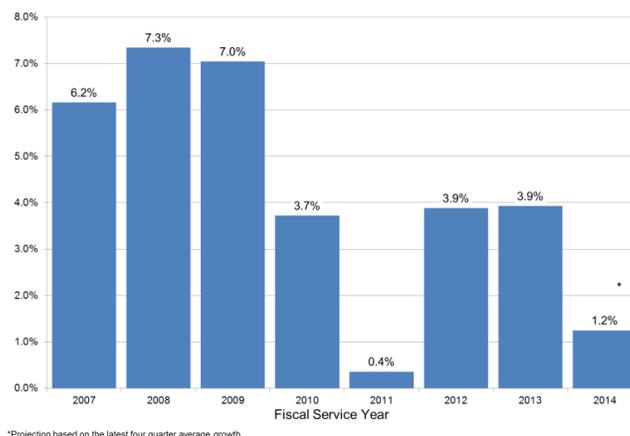
- Many more medical providers have signed up for the provider network than expected. Besides the additional workload to get them credentialed, there's a steady stream of change requests, and all providers have to be recertified every three years.
- The provider hotline is receiving many more calls than predicted. This is partly because of the larger number of providers in the network, but also due to new providers with billing questions; an increase in denied bills if a provider is not in L&I's network; and the roll-out of evidence-based treatment guidelines, such as the opioid guideline.
- Now in its third year, the Stay at Work Program is growing in popularity, but L&I currently is unable to process 95 percent of employers' reimbursement requests within a standard 30-day billing cycle. Even with extensive use of overtime, the backlog stood at 44 days in August 2014 – up from 37 days in July.

L&I cannot fully implement the 2011 workers' comp reforms without more resources.

Current situation

By focusing on achieving high-quality health outcomes through evidence-based policy, L&I not only improves injured workers' ability to heal, but is a national leader in innovative purchasing and cost constraints. For example:

- L&I has held healthcare cost increases to less than the national health expenditure trend. As noted in this graph, since 2010, annual medical-cost growth in the workers' compensation system has been under 4 percent, and the projected growth for 2014 is under 2 percent.



- L&I's innovative purchasing strategies are being replicated nationally (e.g., opioid guidelines) and were highlighted in the recently submitted [Washington State Health Innovation Plan](#). For example, COHE is cited as a value-based purchasing strategy.

The 2011 workers' compensation reforms gave L&I expanded authority to manage healthcare purchasing in order to prevent disability, improve outcomes for injured workers and control medical inflation. The department's implementation plan initially focused on two strategies; a

third component was added later to address the needs of workers whose disabilities were not prevented. Here are some key activities and results so far for each of the three strategies.

1) Remove lowest-quality providers

- **Provider network** ~ L&I created a medical provider network and defined a new standard called “risk of harm” to identify and remove low-quality providers who put injured workers at great risk of preventable disability. L&I expected about half the providers in its system wouldn’t sign up for the new network, since many of them serve very few (less than two) injured workers. In reality, the number grew from 17,000 in 2012 to more than 20,500 by mid-2014 – and about 350 new applications are arriving each week.

To date, 99.7 percent of provider-network applications have been approved. The small fraction of providers not admitted is saving more than \$34 million annually. These providers served claims that accounted for 18.5 percent of L&I’s total workers’ comp costs and had an average of 36 percent higher time-loss, after adjusting for the severity of the injuries.

It takes L&I about five months to process each application, and change requests are waiting up to 10 months. Monitoring and overseeing the network providers for compliance requires ongoing work, and each provider must be recertified every three years - with the first cycle of renewals due in 2016. Without more staff to quickly process new applications, change requests and recertifications, providers can’t get paid and may leave the network, and injured workers will have fewer choices available. There’s also a risk that monitoring delays could result in non-qualified providers continuing to treat injured workers.

- **Provider phone lines and consultation services** ~ Call volumes to the L&I’s dedicated provider lines (Provider Hotline and Preferred Drug Line) have swelled beyond expectations, largely due to the increased number of network providers and the roll-out of evidence-based treatment guidelines. Calls to the Preferred Drug Line spiked by 58 percent in 2013; abandoned calls now average more than 2,000 per month; and wait times average 7.5 minutes, but can be over 30 minutes.

If it’s too difficult for providers to get the information and services they need from L&I, it will compromise the department’s ability to attract and retain high-quality providers and potentially result in lower-quality care for injured workers.

- **Risk of harm** ~ L&I adopted the nation’s first “risk of harm” rules defining a pattern of low-quality care that leads to harm or risk of harm to injured workers. The definition relies on data to identify patterns, thus reducing subjectivity and bias that are inherent in purely complaint-driven processes.

L&I and its external medical advisory group chose two initial areas of focus: opioid deaths/overdoses and surgical reoperation rates. L&I consults with experts to establish appropriate data parameters and benchmarks for each focus area. Currently, the

department relies on ad-hoc time from clinical staff in L&I's audit and complaint departments. Progress will continue to be slow without dedicated staff.

2) **Expand providers' use of evidence-based, best-practice care to prevent disability caused by harmful or ineffective care.**

As required by the 2011 legislation, L&I has:

- ***Expanded injured workers' access to Centers of Occupational Health and Education (COHE)*** ~ L&I is required to expand COHE access to all injured workers by 2015. L&I has increased COHE sponsors from four to six sponsors and will more than double the number of COHE providers from around 1,500 to 3,500. The expanded service areas will cover 38 of 39 counties. Seventy-two percent of injured workers now have access to COHE providers, and about 50,000 new claims are expected to be served by COHE providers in 2015. The sponsoring organizations and participating providers receive financial support for coordination, quality improvement and education functions, and higher payments for identified best-practice services.

Unfortunately, the strong demand for COHE participation and the considerable workload required for policy development and contract oversight, combined with the other reform activities, have slowed progress toward developing additional best practices, and analyzing COHE expansion. L&I staff are stretched to capacity with current COHE monitoring responsibilities, and up to five more COHE may be needed to fill remaining gaps in service coverage and boost provider participation (which has increased, but still represents only 15 percent of network providers).

- ***Developed a system to track best practices*** ~ L&I scoped, developed and implemented three of five phases of an Occupational Health Management System (OHMS) to support COHE collaboration and best-practice tracking and reporting. OHMS deployment is on time, on budget and meets requirements. L&I communicates claim information with COHE organizations through OHMS, and OHMS is currently used by health service coordinators to perform their work. The last phases will deliver provider functionality and reporting at the provider and organization levels about use of best practices.

The user base for OHMS will increase from the current health services coordinators and COHE directors (about 50) to at least 4,000, with final releases aimed at providers using best practices. With new OHMS releases and new best-practice development and tracking, internal and external users will need to be trained. L&I needs staff to provide system support, train the users and configure the system as new best practices are implemented.

- ***Developed evidence-based treatment guidelines, and identified and is piloting new best practices*** ~ L&I is overseeing three pilot programs designed and evaluated by the University of Washington to test new evidence-based best practices that address medical issues beyond the first few months of care. These pilots are under way and on time. If the pilots yield positive results for workers, they'll be incentivized and added to COHE best-practice obligations.

L&I has seen great results from its evidence-based treatment guidelines and best practices. For example, since guidelines were implemented, the share of injured workers with an opioid prescription 6-12 weeks after injury has declined by around 80 percent. Significantly, overdoses among injured workers are coming down, and opioid-related deaths have fallen by half. In another example, L&I recently published a treatment guideline for shoulder surgery that will halt the use of several common procedures where evidence shows they are not effective and automatically add costs to the disability award. The result should be better outcomes for injured workers and less cost for the workers' comp system.

These examples demonstrate the success of using evidence summaries as a foundation, having a public process and relying on practicing clinicians to craft the evidence-based policy. Several years ago, the Legislature funded a non-permanent epidemiologist at L&I to assist the Industrial Insurance Medical and Chiropractic Advisory Committees with literature reviews that form the foundation of treatment guidelines. Without a permanent resource, further progress will be slow.

3) **Ensure workers stay safely connected to their jobs**

- **Stay at Work Program:** Washington's Stay at Work Program has shown promising results in its first three years. In June 2014, the program reached a milestone of more than 10,000 injured workers whose employers (2,700) received more than \$24 million in wage and other reimbursements for bringing these workers back to light-duty work while they healed from their injuries. Actuaries estimate the program will reach full maturity in 2017 and save the system \$35 million annually.

However, the Stay at Work Program is struggling to process employers' reimbursement requests within 30 days. L&I's initial staffing level was based on Oregon's experience with its similar program. However, in Oregon, insurance companies and other third parties handle application processing and employer engagement, while the state agency provides regulatory oversight; in Washington, L&I serves both roles. As such, the initial resource assumptions were underestimated. Even with extensive use of overtime, L&I is not meeting the 30-day goal for processing reimbursements. Employers, particularly small ones, often need these funds to maintain their cash flows, and chronic delays could diminish their enthusiasm and participation – which in turn would diminish opportunities for returning injured workers to work and for reducing workers' compensation costs.

Narrative Justification and Impact Statement

Proposed solution

L&I has made substantial progress toward implementing the 2011 workers' comp reforms. Unexpectedly high enrollment in the provider network, strong competition for COHE contracts, high customer demand for Stay at Work, and the large workload involved in supporting those efforts have consumed the available staff capacity. To support the overall workload and continue to improve the care injured workers receive, L&I needs the following:

Remove low-quality providers, and support high-quality providers

- 2 FTE Program Coordinators on the credentialing team to process applications and to support review activities by the credentialing committee and medical director.
- 1 FTE Associate Medical Director to oversee provider quality (currently funded with expiring project funds).
- 3 FTE Medical Treatment Adjudicator 2 to manage increased calls from providers about billing and preauthorization of services and medications for injured workers.
- 1 FTE Administrative Assistant 3 to coordinate clinical consultation scheduling, manage contracts and scheduling with external advisors, and coordinate provider quality reviews.

Support evidence-based care

To fully expand COHE access, identify new best practices, develop and implement the new Top-Tier network, and maintain a performance tracking system, L&I wants to reinvest a small portion of the documented reform savings in the following contract dollars and FTE:

- 1 FTE Medical Program Specialist 2 to manage COHE expansion.
- 1 FTE Program Coordinator to coordinate contracts and management across all COHEs.
- 2 FTE Information Technology Specialist 4 to support OHMS internal and external customer requests and business-driven configuration requirements
- 1 FTE Epidemiologist 2 to support systematic literature reviews and clinical evidence summaries.

Meet customer demand

Reduce backlog and speed processing of Stay at Work reimbursements to employers that bring back their injured workers into light-duty or transitional jobs. Timely payments are essential to this program's success

- 4 FTE Workers' Compensation Adjudicator 3 to process employer reimbursement requests

What specific performance outcomes does the agency expect?

- Remove low-quality providers that drive up workers' comp costs and have worse outcomes.
- Improve coordination of care for injured workers with long-term disabilities.
- Finishing expanding COHEs statewide.
- Complete three pilot projects to assess new best practices for treating workers with long-term claims, and integrate into COHE if successful.
- Expand use of evidence-based innovations (e.g. opioid guidelines; COHE's model of paying for clinical leadership, care coordination, etc.).
- Provide timely assistance and response to medical providers.
- Fully implement and use results from the Occupational Health Management System.
- Enable the department to process at least 95 percent of reimbursement requests in 30 days.
- Pay Stay at Work reimbursements timely, and maintain employers' interest and participation in the program.

Performance measure detail

L&I currently does not report any measures to Results Washington related to disability prevention, although this work contributes to Goal 4: Healthy & Safe Communities.

Is this package is essential to implement one of the agency's strategic goals?

This investment supports two of L&I's strategic goals.

- Goal 2, "Help injured workers heal and return to work" by reducing long-term disability care and improving return-to-work outcomes for workers, while also decreasing costs.
- Goal 3, "Make it easy to do business with L&I" by decreasing system delays to meet customer expectations.

Does this decision package provide essential support to one of the Governor's priorities?

- Goal 2, Prosperous Economy: Achieving more-successful outcomes for workers will benefit the economy and business climate by reducing the overall cost of the workers' compensation system.
- Goal 4, Healthy and Safe Communities > Safe People > Worker Safety.

What are the other important connections or impacts related to this proposal?

- This proposal aligns with and implements key strategies related to the state as a first mover on quality purchasing and reduction of chronic disability in the [Washington State Health Innovation Plan](#).
- Key business, labor and provider stakeholders are supportive. The proposal was developed with support and input from L&I's Advisory Committee on Health Care Innovation and Evaluation ([ACHIEV](#)).

Describe any impact on other government (local or state) programs.

State healthcare purchasing agencies support the vision and activities because it aligns and implements shared goals toward evidence- and value-based purchasing and system coordination.

What alternatives were explored by the agency, and why was this alternative the best?

Status quo is not an option if we want to continue to ensure better outcomes for workers and reduce the overall cost of the workers' compensation system. Doing nothing may cost less initially, but it would make it harder for L&I to meet customer expectations and reduce long-term disability and associated costs.

The strategies were chosen to fulfill legislative mandate and to align with advisory committee input and state healthcare purchasing plans.

What are the consequences of not funding this package?

L&I would not be able to fully reach its goals of reducing disability and achieving better outcomes for workers. Provider and employer wait times for authorization and reimbursement

would continue to grow, employers would be less interested in the Stay at Work Program, and anticipated workers' compensation savings would not be fully realized.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time?

Start-up costs for new FTE.

Which are ongoing?

All other costs are ongoing.

What are the budget impacts in future biennia?

There are ongoing staff costs of \$3,340,000 million per biennia.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	16.0	16.0	16.00	16.0	16.0	16.0
FTEs - Indirect	2.6	2.6	2.6	2.6	2.6	2.6
Objects of Expenditure:						
A - Salary and Wages	924,000	924,000	1,848,000	1,848,000	1,848,000	5,544,000
Indirect FTE Salary	76,000	76,000	152,000	152,000	152,000	456,000
B - Employee Benefits	348,000	348,000	696,000	696,000	696,000	2,088,000
Indirect FTE Benefits	29,000	29,000	58,000	58,000	58,000	174,000
C - Contracts			0			0
E - Goods and Services	370,000	289,000	659,000	578,000	578,000	1,815,000
AG Costs			0			0
G - Travel	4,000	4,000	8,000	8,000	8,000	24,000
J - Capital Outlays	157,000		157,000			157,000
TOTAL Expenditures	1,908,000	1,670,000	3,578,000	3,340,000	3,340,000	10,258,000
Funds:						
608 - Accident Account			0			0
609 - Med Aid Account	1,908,000	1,670,000	3,578,000	3,340,000	3,340,000	10,258,000
TOTAL Funds	1,908,000	1,670,000	3,578,000	3,340,000	3,340,000	10,258,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017- 2019	Biennium 2019- 2021	TOTAL
001 - General Fund	0	0	0	0	0	0
01F - Crime Victim Account	0	0	0	0	0	0
095 - Electrical Account	0	0	0	0	0	0
608 - Accident Account	0	0	0	0	0	0
609 - Medical Aid Account	104,578	10,578	115,156	209,156	209,156	533,468
Other	0	0	0	0	0	0
TOTAL Funds	104,578	10,578	115,156	209,156	209,156	533,468

Indirect-allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Revenue calculations and assumptions:

Revenue Estimates									
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19	FY 2020	FY 2021	Total BI 19-21
001 - General Fund	-	-	-	-	-	-	-	-	-
01F - CVC Account	-	-	-	-	-	-	-	-	-
095 - Electrical Acct	-	-	-	-	-	-	-	-	-
608 - Accident Acct	-	-	-	-	-	-	-	-	-
609 - Medical Aid Acct	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL Funds	-	-	-	-	-	-	-	-	-

Funds:	FY 2022	FY 2023	Total BI 21-23	FY 2024	FY 2025	Total BI 23-25	TOTAL
001 - General Fund	0	0	-	0	0	-	-
01F - CVC Account	0	0	-	0	0	-	-
095 - Electrical Acct	0	0	-	0	0	-	-
608 - Accident Acct	0	0	-	0	0	-	-
609 - Medical Aid Acct	0	0	-	0	0	-	-
Other	0	0	-	0	0	-	-
TOTAL Funds	0	0	-	0	0	-	-

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	General Fund Reduction - Crime Victims Benefits
Budget Period:	2015-17
Budget Level:	PL-M7

Recommendation Summary Text

To help meet the Governor’s directive, the Department of Labor & Industries is proposing a \$3.5 million General Fund-State reduction to its maintenance level for the Crime Victims Compensation Program for the 2015-17 biennium.

Fiscal Detail

Change to Agency’s Budget:

	FY 2016	FY 2017	TOTAL
Staffing:			
001-1 General Fund-State	0.0	0.0	0.0
TOTAL FTEs	0.0	0.0	0.0

	FY 2016	FY 2017	TOTAL
Operating Expenditures:			
001-1 General Fund-State	(\$1,750,000)	(\$1,750,000)	(\$3,500,000)
TOTAL Expenditures	(\$1,750,000)	(\$1,750,000)	(\$3,500,000)

Package Description

Benefit reductions in Crime Victims Compensation Program

The Crime Victims Compensation program helps crime victims pay for medical, dental and mental health services, limited loss of income and funeral expenses. This proposal would reduce funds available to pay for these benefits by \$3.5 million during the 2015-17 biennium.

State and federal funds comprise the funding for this program. Beginning with the 2010 supplemental budget and each of the succeeding budgets, state general funds supporting this program have been reduced by nearly \$8 million. Since federal funding for crime victims compensation matches 60 percent of the state dollars spent on benefits three years prior to the year of the award, the ongoing reduction in state funds is driving a corresponding decline in federal funding. Since fiscal year 2011, federal funding has declined by \$2.3 million (nearly 40 percent).

In 2010, the Legislature established a temporary \$50,000 benefit ceiling. The ceiling will lapse in June 2015. Along with the ceiling, the Legislature created the Crime Victims Compensation Account. Funds (from the Inmate Betterment Account) – are transferred into this account by the

Department of Corrections. The department has been advised that these funds will be reduced by \$200,000 each fiscal year – from \$2 million to \$1.8 million – during the 2015-17 biennium.

Since fiscal year 2011, the program’s caseload and benefit expenses have declined by 21 percent and 13 percent, respectively. This decline may be attributed to a measurable reduction in violent crime; the lowering of the benefit ceiling by the Washington Legislature during the 2010 session; the expanded eligibility for Medicaid healthcare coverage; and the recent implementation of the federal Affordable Care Act.

Narrative Justification and Impact Statement

This proposal would reduce state funding for Crime Victims Compensation (CVC) as one part of the department’s General Fund reduction target of \$5.2 million.

Effect on clients and services

Although caseload and benefit expense have declined since fiscal year 2011, the CVC Program continued to provide essential services for 7,000 victims of crime each year. These services include sexual-assault forensic examinations, temporary financial assistance, and medical and burial services.

The proposed \$3.5 million reduction for the next biennium would make it very challenging for this program to provide services to crime victims, particularly after the \$50,000 benefit ceiling put in place by the Legislature sunsets in June 2015. While the implementation of the Affordable Care Act (ACA) may stem medical expenses in the future, it should be noted the forecasted effect of the ACA has been included as a *carry forward* reduction in the agency’s budget for the 2015-17 biennium.

Required changes to existing RCW, WAC, contract or plan

None

Which costs and functions are one-time?

Not applicable.

Which are ongoing?

Not applicable.

What are the budget impacts in future biennia?

The federal grant from the Office for Crime Victims in the Department of Justice is formula-based: 60 percent of the state dollars spent for benefits three years prior to the year of the award. The estimate for the federal grant for fiscal year 2016 and 2017 is \$4.1 million and \$3.5 million, respectively.

This proposal would result in a smaller federal share for future benefit payments. The calculation for federal funds to help support this program in fiscal year 2019 and 2020 would be 60 percent of state dollars spent for crime victims’ benefits in fiscal year 2016 and 2017, or about \$2.5 million in FY19 and \$3.1 million in FY20.

Expenditure Calculations and Assumptions

Objects of Expenditure:						
A - Salary and Wages			0			0
Indirect FTE Salary	0	0	0	0	0	0
B - Employee Benefits			0			0
Indirect FTE Benefits	0	0	0	0	0	0
C - Personal Service Contracts	0	0	0	0	0	0
E - Goods and Services						0
AG Costs	0	0	0	0	0	0
G - Travel			0			0
J - Capital Outlays			0			0
N - Grants, Benefits, and Client Svcs	(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)	(3,500,000)	(10,500,000)
TOTAL Expenditures	(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)	(3,500,000)	(10,500,000)
Funds:						
001 - General Fund	(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)	(3,500,000)	(10,500,000)
02V - PSEA	0	0	0	0	0	0
095 - Electrical	0	0	0	0	0	0
608 - Accident Account	0	0	0	0	0	0
609 - Medical Aid Account	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL Funds	(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)	(3,500,000)	(10,500,000)

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	General Fund Reduction - Factory Assembled Structures
Budget Period:	2015-17
Budget Level:	PL-M8

Agency Recommendation Summary Text

To help meet the Governor’s directive, the Department of Labor & Industries is proposing a \$300,000 General Fund-State reduction to its maintenance level for the Factory Assembled Structures Program for the 2015-17 biennium. This program is entirely supported by fees that are passed through the General Fund to pay for the program’s operations. The funding cut would result in fewer inspections being completed, which would reduce the amount of revenue collected (through fees and penalties) by more than \$600,000 – a net loss to the General Fund.

Fiscal Detail

Change to Agency’ Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	(1.3)	(1.3)	(1.3)
TOTAL FTEs	(1.3)	(1.3)	(1.3)

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	(150,000)	(150,000)	(300,000)
TOTAL Expenditures	(150,000)	(150,000)	(300,000)

Package Description

Background

The Factory Assembled Structures Program (RCW 43.22) reviews and approves design plans for manufactured housing, mobile homes, pre-fabricated commercial structures, recreational vehicles, food trucks and other commercial vendors, and mobile medical units. The program also inspects *alterations* to manufactured homes and conducts inspections of factories (in-state and out-of-state) that ship units to Washington.

Inspectors identify and document deviations from code requirements during the manufacturing or alteration processes. The code requirements – including structural, electrical and plumbing evaluations – protect the safety of homeowners and those who work in manufactured structures. Staff issue permits for alterations, document any necessary corrections to meet code, and issue citations for illegal work activity. When a structure passes an inspection, a seal of approval, also known as an insignia, is issued.

Factory inspections are intended to identify problems before construction begins, so manufacturers can make corrections before mass producing a product. They include facilities that manufacture:

- Recreational vehicles and trailers (conducted every two years).

- Modular homes (at manufacturer's request).
- Commercial coaches, such as construction trailers (at manufacturer's request).
- Temporary-worker housing units, which are commonly used in the agricultural industry (at manufacturer's request).

Each inspection ensures the units meet egress, gas, electrical, structural and mechanical codes to safeguard the individuals, owners and workers who will live or work in them. The program generates revenue from permits, plan reviews, inspection fees and penalties for violations of laws and rules. As an example, factory inspections typically include an inspection and insignia fee. During the 2015-17 biennium, revenue is projected to be a total of \$4.4 million if no reduction is taken.

Narrative Justification and Impact Statement

To help meet the Governor's directive for reducing General Fund expenditures, L&I proposes to reduce funding for the Factory Assembled Structures Program by \$300,000 and 1.3 FTE.

By reducing these resources, the program would no longer inspect in-state or out-of-state factories.

Effect of the change on clients and services

- Manufacturers will have to depend on local building departments to provide guidance on how to get their products approved for installation in their respective jurisdictions. However, currently, there are no local-level inspectors in Washington that conduct factory inspections.
- The cuts would cause a corresponding drop in revenue. If we assume L&I will no longer receive factory-built inspection and insignia fees, it could result in \$604,000 less revenue during the 2015-17 biennium – about twice the amount of the budget cut.

Required changes to existing RCW, WAC, contract or plan

The authority to conduct the inspections of factory-built structures at the factory is established in law¹ and rule². Changes to RCW 43.22 and WAC 296-150 would be necessary.

Which costs and functions are one-time?

None

Which are ongoing?

The budget cut and related staff reduction would be ongoing.

What are the budget impacts in future biennia?

¹ Chapter 43.22 RCW

² WAC 296-150

This reduction proposal would result in ongoing revenue and expenditure impacts for future biennia.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Objects of Expenditure:						
A - Salary and Wages	(82,000)	(82,000)	(164,000)	(164,000)	(164,000)	(492,000)
B - Employee Benefits	(31,000)	(31,000)	(62,000)	(62,000)	(62,000)	(186,000)
E - Goods and Services	(23,000)	(23,000)	(46,000)	(46,000)	(46,000)	(138,000)
G - Travel	(14,000)	(14,000)	(28,000)	(28,000)	(28,000)	(84,000)
TOTAL Expenditures	(150,000)	(150,000)	(300,000)	(300,000)	(300,000)	(900,000)
Funds:						
001 - General Fund-State	(150,000)	(150,000)	(300,000)	(300,000)	(300,000)	(900,000)
TOTAL Funds	(150,000)	(150,000)	(300,000)	(300,000)	(300,000)	(900,000)

Revenue calculations and assumptions

The \$300,000 cut from the Factory Assembled Structures Program would eliminate approximately 1.3 FTE that inspects factories that build various structures and vehicles that fall within the scope of the program. Those inspections have fees associated with them. If we assume a the staff cut would cause a reduction of factory-built inspection and insignia fees, this proposal could result in \$604,000 less revenue during the 2015-17 biennium.

Revenue Estimates						
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19
001 - General Fund	(302,000)	(302,000)	(604,000)	(302,000)	(302,000)	(604,000)
TOTAL Funds	(302,000)	(302,000)	(604,000)	(302,000)	(302,000)	(604,000)
Funds:	FY 2020	FY 2021	Total BI 19-21	FY 2022	FY 2023	Total BI 21-23
001 - General Fund	(302,000)	(302,000)	(604,000)	(302,000)	(302,000)	(604,000)
TOTAL Funds	(302,000)	(302,000)	(604,000)	(302,000)	(302,000)	(604,000)
Funds:	FY 2024	FY 2025	Total BI 23-25	TOTAL		
001 - General Fund	(302,000)	(302,000)	(604,000)	(3,020,000)		
TOTAL Funds	(302,000)	(302,000)	(604,000)	(3,020,000)		

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	General Fund Reduction - Contractor Compliance
Budget Period:	2015-17
Budget Level:	PL-M9

Agency Recommendation Summary Text

To help meet the Governor’s directive, the Department of Labor & Industries is proposing a \$1.4 million General Fund-State reduction to its maintenance level for the Contractor Registration & Compliance Program for the 2015-17 biennium. This program is supported with fees that are passed through the General Fund. Reducing the staffing capacity would result in a corresponding drop in revenue as well as undermine the state’s fight against the underground economy in the construction industry. A buyback proposal has been submitted to shift a percentage of the program costs to the Accident Fund and Medical Aid Fund.

Fiscal Detail

Change to Agency’ Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	(6.0)	(6.0)	(6.0)
TOTAL FTEs	(6.0)	(6.0)	(6.0)

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	(700,000)	(700,000)	(1,400,000)
TOTAL Expenditures	(700,000)	(700,000)	(1,400,000)

Package Description

Reductions in Contractor Registration & Compliance Program

L&I’s Contractor Registration & Compliance Program (RCW 18.27) registers construction contractors who maintain at least a minimum level of bonding and insurance coverage. The purpose is to provide financial protection for homeowners and commercial suppliers of labor, materials and equipment from incompetent, unreliable, fraudulent and financially irresponsible contractors.

The department maintains a publicly accessible list of registered building contractors and conducts compliance inspections. The inspectors respond to tips and visit construction sites to ensure all contractors are registered, bonded and insured, and they take enforcement action against those who aren’t playing by the rules. They also make referrals to other L&I regulatory programs if they spot potential safety problems or see evidence that employees aren’t being properly reported or paid.

In fiscal year 2014, the inspectors:

- Checked for registration and license compliance with 17,939 contractors, electricians and plumbers at 11,775 jobsites.
- Made 3,266 referrals for suspected issues such as unpaid workers’ compensation premiums.

- Issued 1,832 underground-economy violations, resulting in the collection of \$1.2 million in fines.

Data collected from fiscal year 2014 indicate the Registration & Compliance inspectors identified various violations that benefited the Accident Fund and Medical Aid Fund. Under this proposal, the inspection costs related to those other activities would be removed from the General Fund; under a separate buy-back proposal, L&I will propose assigning the expenses to the Accident Fund and Medical Aid Fund in proportion with the amount of work currently being performed by the inspectors. In alignment with the data, this proposal would reduce General Fund-State expenditures by a total of \$1.4 million.

Narrative Justification and Impact Statement

This proposal would reduce nearly one-quarter of the field inspectors for the Contractor Registration & Compliance Program. Revenue from registration fees and penalties generated through inspection activities is passed through the General Fund to support the program's operations. During the 2015-17 biennium, revenue is projected to be \$10.3 million if no reduction is taken. A reduction of field inspectors would likely result in a corresponding drop in revenue. This proposal would reduce General Fund-State expenditures for activities by the Contractor Registration & Compliance Program that benefit the Accident Fund and Medical Aid Fund. Under a separate buy-back proposal, the costs would be and transferred to those funds.

Effect of the change on clients and services

The proposed \$1.4 million reduction for the Contractor Registration & Compliance Program would eliminate funding for six compliance inspectors during the 2015-17 biennium. The reduced compliance activity would lower revenues by an estimated \$2.5 million or more, for a net loss to the General Fund.

Through its registration process, community presence and compliance efforts, the program deters irresponsible or incompetent contractors. With fewer inspectors visiting construction sites to enforce compliance, L&I anticipates a decline in registration revenue, a rise in unregistered contractors, and increased harm to legitimate contractors and homeowners.

The fund redistribution more accurately aligns with the department's current efforts to combat the persistent underground economy and protect public safety. In doing so, it would reduce General Fund expenditure and simultaneously protect these important safety functions from the cyclical instability of the General Fund.

What are the other important connections or effects related to this proposal?

In 2013, L&I convened the [Construction Underground Economy Advisory Committee](#), involving a wide range of business and labor groups concerned about the underground economy. The committee has urged L&I to be more aggressive about penalizing and prosecuting businesses that blatantly violate the rules. This proposal will likely be viewed as a step backward.

Required changes to existing RCW, WAC, contract or plan

None.

Which costs and functions are one-time?

None.

Which are ongoing?

Compliance inspection activities would continue at a reduced level as a result of eliminating 6 FTE and \$1.4 million per biennium. If the department’s buyback proposal is approved, those costs would be shifted to the Accident Fund and Medical Aid Fund.

What are the budget impacts in future biennia?

See above.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Objects of Expenditure:						
A - Salary and Wages	(399,000)	(399,000)	(798,000)	(798,000)	(798,000)	(2,394,000)
B - Employee Benefits	(150,000)	(150,000)	(300,000)	(300,000)	(300,000)	(900,000)
E - Goods and Services	(107,000)	(107,000)	(214,000)	(214,000)	(214,000)	(642,000)
G - Travel	(44,000)	(44,000)	(88,000)	(88,000)	(88,000)	(264,000)
TOTAL Expenditures	(700,000)	(700,000)	(1,400,000)	(1,400,000)	(1,400,000)	(4,200,000)
Funds:						
001 - General Fund-State	(700,000)	(700,000)	(1,400,000)	(1,400,000)	(1,400,000)	(4,200,000)
TOTAL Funds	(700,000)	(700,000)	(1,400,000)	(1,400,000)	(1,400,000)	(4,200,000)

Revenue calculations and assumptions

The \$1.4 million reduction for the Contractor Registration & Compliance Program would result in a reduction of six compliance inspectors and an estimated drop in revenue of more than \$2.5 million during the 2015-17 biennium, based on the following assumptions:

- Each compliance inspector generates \$55,697 per year in penalty revenue. A decrease of six inspectors equates to approximately \$334,000 per fiscal year.
- A decrease in compliance presence reduces pressure on contractors to comply with registration requirements. If registration revenue returned to pre-underground-economy efforts, the result could be \$521,000 less revenue per year.
- Each compliance inspector generates \$80,450 per year in revenue related to workers’ compensation premiums through audit and collections referrals. A decrease of six inspectors equates to a revenue decrease of approximately \$483,000 per year.

Revenue Estimates by Type	FY 2016	FY 2017	Total BI 15-17
Penalties - 001 - General Fund	(334,000)	(334,000)	(668,000)
Registration - 001 - General Fund	(521,000)	(521,000)	(1,042,000)
Workers Comp Premium - Accident & Med Aid	(483,000)	(483,000)	(966,000)
Total	(1,338,000)	(1,338,000)	(2,676,000)

Revenue Estimates						
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19
001 - General Fund	(855,000)	(855,000)	(1,710,000)	(855,000)	(855,000)	(1,710,000)
608 - Accident Acct*	(242,000)	(242,000)	(484,000)	(242,000)	(242,000)	(484,000)
609 - Medical Aid Acct*	(241,000)	(241,000)	(482,000)	(241,000)	(241,000)	(482,000)
TOTAL Funds	(1,338,000)	(1,338,000)	(2,676,000)	(1,338,000)	(1,338,000)	(2,676,000)
Funds:	FY 2020	FY 2021	Total BI 19-21	FY 2022	FY 2023	Total BI 21-23
001 - General Fund	(855,000)	(855,000)	(1,710,000)	(855,000)	(855,000)	(1,710,000)
608 - Accident Acct*	(242,000)	(242,000)	(484,000)	(242,000)	(242,000)	(484,000)
609 - Medical Aid Acct*	(241,000)	(241,000)	(482,000)	(241,000)	(241,000)	(482,000)
TOTAL Funds	(1,338,000)	(1,338,000)	(2,676,000)	(1,338,000)	(1,338,000)	(2,676,000)
Funds:	FY 2024	FY 2025	Total BI 23-25	TOTAL		
001 - General Fund	(855,000)	(855,000)	(1,710,000)	(8,550,000)		
608 - Accident Acct*	(242,000)	(242,000)	(484,000)	(2,420,000)		
609 - Medical Aid Acct*	(241,000)	(241,000)	(482,000)	(2,410,000)		
TOTAL Funds	(1,338,000)	(1,338,000)	(2,676,000)	(13,380,000)		

* - workers compensation premiums are non-appropriated

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Supporting Demand for Return-to-Work
Budget Period:	2015-17
Budget Level:	PL-N0

Agency Recommendation Summary Text

The Department of Labor & Industries requests funding and FTEs to increase participation in the Return-to-Work Program and to improve the effectiveness of private vocational rehabilitation services by placing a vocational specialist in each claims unit to coordinate intensive return-to-work counseling services and interventions.

Fiscal Detail

Operating Expenditures	FY2016	FY2017	Total
Medical Aid Fund, 609-1	\$969,000	\$1,255,000	\$2,224,000
Total Cost	\$969,000	\$1,255,000	\$2,224,000

Staffing	FY16	FY17	Total
General Fund-State, 001-1			0
All Other Funds	8.7	13.9	11.3
Total	8.7	13.9	11.3

Package Description

Background

It is well documented that long-term disability increases significantly the longer an injured worker remains unemployed; over time, workers heal more quickly when they're engaged in the workforce. That's why L&I launched programs like Early Return to Work. In this program, the department partners closely with private vocational rehabilitation counselors (VRCs) to help injured workers stay connected or reconnect as quickly as possible with the workforce in order to reduce the related social, emotional and financial effects of not working. In turn, this helps to prevent long-term disability and associated workers' compensation costs.

Demand for this program is growing, but its ongoing success depends highly on the ability to be responsive to employers and injured workers. Adjustments are needed to satisfy these demands and achieve hoped-for results.

Early services = early success. L&I's claim managers carry workloads of about 250 claims each, roughly double the average of other workers' compensation systems. They lack the ability to closely monitor every claim and identify cases at the right time for intensive return-to-work counseling and interventions. Rather than hiring more claim managers, L&I has experimented with embedding vocational expertise within a claims unit to advise claim managers and to help intervene with employers, injured workers, medical providers, and private VRCs to support

timely return-to-work. The results, discussed below, have been so impressive that L&I wants to implement this staffing model in every claims unit.

Current situation

Long-term disability claims comprise 8 percent of all workers' compensation claims, but they account for nearly 85 percent of the entire system's costs. Some injured workers could still hold meaningful jobs if they received appropriate counseling and supportive services early in their claims, when they're still motivated and have a strong attachment to the workforce. The longer they remain off the job, the more likely they are to think of themselves as disabled and unemployable.

Under a Lean initiative, L&I has experimented with referring injured workers to private vocational rehabilitation counselors (VRCs) for "ability-to-work assessments" between the 60th and 70th days after initial time-loss payments, compared to a historical average of 250 days after time-loss begins. Initial analysis suggests this approach significantly increases return-to-work rates and reduces psychosocial barriers and the onset of long-term disability. For example:

- The initiative has resulted in a 48 percent return-to-work rate for those receiving early VRC assessments and assistance versus a 10 percent return-to-work rate for those receiving referrals on the typical schedule.
- In addition, the early assessments are being completed in an average of 65 days, compared to more than 160 days to complete an assessment for other claims.
- Claim managers said having access to an internal vocational specialist significantly contributed to this success.

Identifying injured workers who would benefit from early assessments and then coordinating with VRCs, medical providers, employers and workers to avoid delays are labor-intensive, and L&I is not able to implement the practice across all claims units due to the claim managers' heavy workloads (about 250 cases each) and a lack of internal vocational specialists to serve as resources for the claim managers. L&I believes it would prove cost-effective to add a vocational specialist to each claims unit to:

- Provide advice and expertise to claim managers;
- Work with private VRCs, employers and the medical community to improve their responsiveness and reduce employment barriers for injured workers;
- Ensure that comprehensive vocational services are deployed as soon as indicated; and
- Improve return-to-work outcomes for claims that require private vocational rehabilitation.

L&I will reassign 12 existing vocational specialists to perform this work in 12 of the department's claims units, and is seeking funding for 12 more specialists for another 12 claims units.

Narrative Justification and Impact Statement

Proposed solution

This budget package focuses on implementing a Lean improvement initiative for the Return-to-Work program at L&I by reassigning 12 existing vocational services specialists (VSS) and adding 12 additional VSS so that every claims unit has one vocational specialist focused entirely on identifying appropriate cases for early return-to-work counseling and assessments. These staff would be hired over the first year of the biennium.

What specific performance outcomes does the agency expect?

Expanding access to vocational expertise in the claims units would:

- Reduce time-loss and long-term disability costs in the workers' compensation system, supporting the goal of reducing costs by \$35 million to \$70 million in 2017 and beyond.
- Support L&I's goal to decrease the number of long-term disability claims.
- Support the goal to increase return to work in six months.
- Assist with the goal to decrease time-loss that lasts more than three months.

Performance measure detail

L&I currently does not report to Results Washington on any performance measures related to Return-to-Work, although the program contributes to the governor's and L&I's strategic goals.

Describe if this package is essential to implement one of the agency's strategic goals?

- Goal 2 – “Help injured workers heal and return to work” by reducing system delays and improving return-to-work outcomes for workers, thereby decreasing long-term disability payments and related system costs.
- Goal 3 – “Make it easy to do business with L&I” by decreasing system delays, providing better return-to-work outcomes for workers and reducing overall system costs for employers.

Does this package provide essential support to one or more [Results Washington](#) priorities?

Goal 2, Prosperous Economy: Achieving more-successful outcomes for workers will benefit the economy and business climate by reducing the overall cost of the workers' compensation system.

What are the other important connections or impacts related to this proposal?

N/A.

Describe any impact on other government (local or state) programs.

N/A.

What alternatives were explored by the agency, and why was this alternative the best?

Status quo is not an option if we want to continue to ensure better outcomes for workers and reduce the overall cost of the workers' compensation system. Doing nothing may cost less initially, but it would make it harder for L&I to meet customer expectations and reduce long-term disability and associated costs.

What are the consequences of adopting or not adopting this package?

This package is essential to L&I’s efforts to ensure better outcomes for workers and meet expectations for reducing the overall cost of the workers’ compensation system.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are ongoing except for \$179,000 for start-up costs for new FTE.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	7.5	12.0	9.75	12.0	12.0	11.3
FTEs - Indirect	1.2	1.9	1.6	1.9	1.9	1.8
Objects of Expenditure:						
A - Salary and Wages	435,000	693,000	1,128,000	1,386,000	1,386,000	3,900,000
Indirect FTE Salary	36,000	57,000	93,000	114,000	114,000	321,000
B - Employee Benefits	164,000	261,000	425,000	522,000	522,000	1,469,000
Indirect FTE Benefits	14,000	21,000	35,000	42,000	42,000	119,000
C - Contracts			0			0
E - Goods and Services	200,000	220,000	420,000	440,000	440,000	1,300,000
AG Costs			0			0
G - Travel	2,000	3,000	5,000	6,000	6,000	17,000
J - Capital Outlays	118,000		118,000			118,000
TOTAL Expenditures	969,000	1,255,000	2,224,000	2,510,000	2,510,000	7,244,000
Funds:						
608 - Accident Account			0			0
609 - Med Aid Account	969,000	1,255,000	2,224,000	2,510,000	2,510,000	7,244,000
TOTAL Funds	969,000	1,255,000	2,224,000	2,510,000	2,510,000	7,244,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017- 2019	Biennium 2019- 2021	TOTAL
609 - Medical Aid Account	49,448	78,586	128,034	157,172	157,172	442,378
Other	0	0	0	0	0	0
TOTAL Funds	49,448	78,586	128,034	157,172	157,172	442,378

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect-cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Best Practices for Reducing Disability
Budget Period:	2015-17
Budget Level:	PL-N1

Agency Recommendation Summary Text

The Department of Labor & Industries is requesting \$2,647,000 and 7.2 FTE in the 2015-17 biennium to extend its successful strategies that reduce disability among injured workers and save workers' compensation funds. L&I has demonstrated success at reducing injured-worker disability by up to 30 percent when providers adopt current best practices. Under this proposal, the department would expand evidence-based best practices and conduct a pilot to improve coordination of care for injured workers with long-term disabilities.

Fiscal Detail

Operating Expenditures	FY2016	FY2017	Total
Medical Aid Fund, 609-1	\$1,368,000	\$1,279,000	\$2,647,000
Total Cost	\$1,368,000	\$1,279,000	\$2,647,000

Staffing	FY16	FY17	Total
General Fund-State, 001-1			0
All Other Funds	7.2	7.2	7.2
Total	7.2	7.2	7.2

Package Description

Background

Eight percent of all injured workers account for about 85 percent of workers' compensation costs for the Department of Labor & Industries (L&I). The vast majority of these workers had mild to moderate injuries that should not necessarily result in long-term disability. Reducing preventable disability is a priority for L&I, and it remains the critical policy, clinical and financial issue in workers' compensation (and health care generally).

Medical providers who use evidence-based, proven occupational-health best practices reduce disability among their patients. L&I is a recognized, innovative leader in identifying and testing occupational-health best practices. The workers' compensation reforms passed in 2011 (SSB5801) created a state mandate to expand these best practices, and they've already gotten good results.

While many more injured workers have access to best-practice care, work remains to create incentives for providers who agree to use best practices (called a Top Tier network). In addition, more work is needed to identify, test and implement additional best practices for problems that may arise later in a claim, such as chronic pain.

Current situation

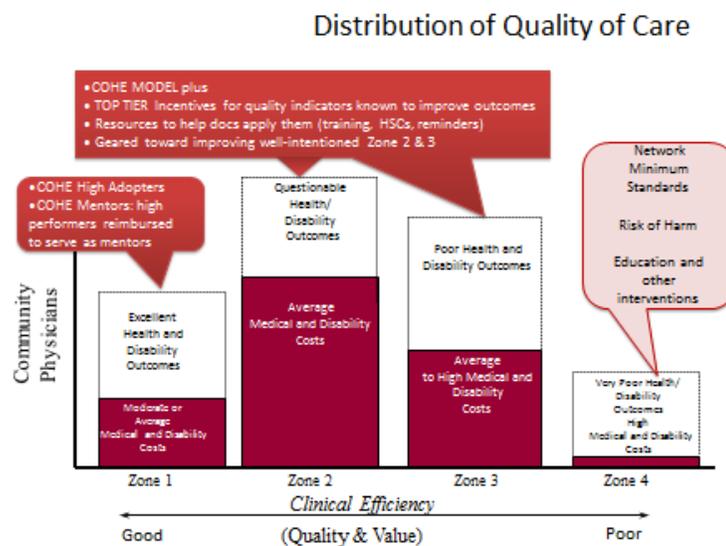
At a time of significant medical cost inflation, L&I has held healthcare cost increases far below the national trend. Since 2010, annual medical-cost growth in the workers' compensation system has been under 4 percent, and the projected growth for 2014 is under 2 percent. At the same time, L&I has increased access and payments for high-quality healthcare services that are proved to work. By focusing on achieving high-quality health outcomes through evidence-based policy, L&I not only improves injured workers' ability to heal, but is a national leader in innovative purchasing and evidence-based cost management.

Evidence-based best practices prevent disability.

The workers' compensation reforms passed by the state Legislature in 2011 incorporated concepts of evidence-based best practices and the expansion of L&I's Centers for Occupational Health & Education (COHEs) as foundations for better-quality care for injured workers. (COHEs are community-based health organizations that use occupational-health best practices to treat injured workers. Participating providers are eligible for financial and other incentives.)

A [study](#) published by L&I and the University of Washington found that injured workers seeing COHE-trained providers had up to 20 percent fewer time-loss days (30 percent fewer days for low-back injuries), thus reducing disability for the workers and saving an average of \$500 per claim in the first year.

By applying provider-network standards, L&I has **removed** fewer than 1 percent of very poor-quality providers from treating injured workers in Washington – but the claims served by those providers accounted for 18.5 percent of L&I's total workers' comp costs and had an average of 36 percent higher time-loss (far right in graphic below). L&I also has successfully expanded COHE to **improve** quality of care by average providers (middle two in graphic below).



Top Tier network for best-practice providers not in a COHE

Due to the extensive reform efforts since 2011, L&I has not yet been able to create a Top Tier Program. Top Tier is a key legislative and strategic strategy for incentivizing providers to use best practices when those providers choose not to join COHEs, or when COHEs are not active in their locales. Providers who can demonstrate and use best practices could qualify for Top Tier and would receive financial and non-financial incentives, such as higher payments for best-practice services and express authorizations.

L&I has engaged its Advisory Committee on Healthcare Innovation & Evaluation (ACHIEV), made up of representatives of providers, businesses and labor who support the strategy and provide feedback on program criteria, alignment with other efforts and incentives. However, L&I staff are stretched to capacity and cannot implement the program without additional resources.

Evidence-based guidelines and occupational health best practices need to be expanded

L&I has seen great results from its evidence-based treatment guidelines and best practices:

- A 50 percent decline in unintentional opioid poisoning deaths among injured workers from 2007 through 2012.
- A new opioid guideline issued in 2013 has dramatically reduced inappropriate, chronic opioid use. L&I also expects to see substantial declines in long-term disability associated with chronic opioid use.
- Evidence-based surgical guidelines, based on clinical studies and input from practicing clinicians, have resulted in more-appropriate use of surgeries where evidence shows they'll benefit the worker. For example, a recent publication on results of lumbar fusion surgery demonstrated far less harm in Washington compared to California's worker compensation system, where no similar guidelines have been implemented.

Guideline Impact on Appropriate Surgeries paid by L&I

IIMAC GUIDELINES	Year before Guideline	After Guideline
Carpal Tunnel Syndrome (Effective 4/09)	2008 (2008)	1380 (2013 data) 31% reduction
Proximal Median Nerve Entrapment (Effective 8/09)	38 (58 total 2009)	10 (2012 data) 74% reduction
Ulnar Neuropathy at the Elbow (Effective 1/10)	302 (2009)	187 (2012 data) 38% reduction
Radial Tunnel Syndrome (Effective 4/10)	57 (2009)	19 (2012 data) 67% reduction
Thoracic Outlet Syndrome (Effective 10/10)	58 (2009)	30 (2013) 48% reduction



Initial COHE efforts (associated with the 20-30 percent reduction in disability mentioned above) focused on best practices in the first four to six weeks of care, when pain is usually most acute. A second set of evidence-based best practices was developed to focus on the sub-acute pain period (6 weeks to 3 months) and beyond. Those new best practices are now being piloted and evaluated by a team at the University of Washington.

These types of patient-centered activities are highly innovative. Some of the strategies are being replicated nationally (e.g., surgical and opioid guidelines). Others, including the COHE best practices, were highlighted in the recently submitted Washington State Health Innovation Plan (e.g., COHE is cited as an implemented, value-based purchasing strategy).

As a next step, L&I needs staff to extend development and testing of new and emerging best practices within the workers' compensation system and to implement successful best practices within the COHE and Top Tier incentive structures. These efforts will complement the current efforts to prevent chronic disability by more effectively preventing the transition from acute and sub-acute pain to chronic pain and long-term disability, and by more effectively treating chronic pain to avoid further harm to injured workers.

Electronic system to track best practices

L&I scoped, developed and implemented three of five phases of an Occupational Health Management System (OHMS) to support COHE collaboration and best-practice tracking and reporting. OHMS deployment is on time, on budget and meets requirements. L&I communicates claim information with COHE organizations through OHMS, and COHE staff use OHMS to more effectively coordinate care. The last phases of OHMS development will deliver more provider-specific functionality and reporting at the provider and organization levels about use of best practices.

L&I also has successfully recruited two large provider organizations to test automatically sending agreed data on injured workers directly from the provider's electronic medical record (EMR) into OHMS. L&I is the first payer in Washington to automate the exchange of clinical data directly from an electronic medical record (EMR) to a payer system – reducing paper, faxing and keying of information for providers as well as L&I. L&I needs funding to expand the pilot to other provider organizations.

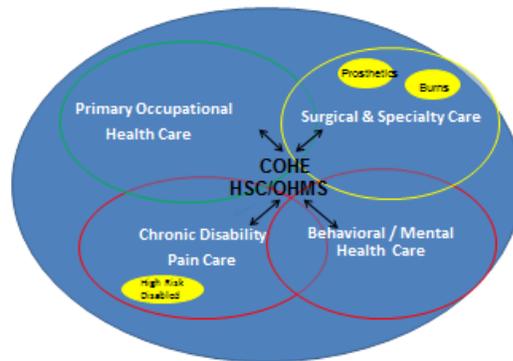
Coordinating care for workers whose disabilities were not prevented

Despite best efforts to prevent long-term disability in injured workers with mild to moderate injuries, some workers will become disabled – mostly due to chronic pain. Current medical and behavioral-health approaches are inadequate and too uncoordinated to effectively address chronic pain and prevent these disabilities.

L&I proposes to pilot and assess an intervention based on a well-researched and validated collaborative-care model (called “medical home”) that would test coordinated treatment across four areas of care that currently are not integrated at all: primary occupational care, coordination between primary care and specialty/surgical care, coordinating treatments for psychosocial and

behavioral health barriers to recovery, and coordinating services for chronically disabled workers to prevent further harm and to more effectively manage their conditions. This effort to prevent the transition from acute/sub-acute pain to chronic pain is consistent with a recent recommendation of the [Robert Bree Collaborative](#) recommendation to state agencies.

Collaborative Care: The Medical Home and Centers of Excellence Concept



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This effort will require new qualitative research to develop the final set of best practices in collaboration with clinical leaders and the University of Washington. This final set of best practices will complement the best practices developed for the first 6 weeks of care and for the period of 6 weeks to 3 months. The pilot would require additional contract funds for the University of Washington for developmental and evaluative work as well as dedicated staff to design requirements and outcome measures, oversee implementation, collect and assess outcomes, and permanently deploy if the pilot is successful.

Narrative Justification and Impact Statement

Proposed solution

L&I has made substantial progress toward implementing most of the workers’ comp reforms adopted in 2011. To make further progress toward preventing long-term disability among injured workers as described above, L&I wants to reinvest a small portion of the documented reform savings in the following contract dollars and FTE:

- \$500,000 to expand the OHMS pilot to directly exchange health information with providers and support other clinical data needs.
- 1 FTE *permanent* Pharmacist 2 to establish evidence-based benchmarks for identifying low-quality providers and to review files of identified providers.
- 2 FTE *permanent* Medical Program Specialist 2: one to develop and implement a Top Tier network, and one for emerging best-practice pilots.

- \$550,000 to contract with UW for best-practice development and evaluation using formal qualitative research methods and complex data collection and analysis.
- 1 FTE *project* Nurse Manager for 24 months (project planning, UW oversight, review, design and evaluation).
- 1 FTE *project* Medical Program Specialist 3 for 24 months (coordinate review, identify community partners, and design payer interface and metrics).
- 1 FTE *project* Program Coordinator for 24 months (support project review, design and evaluation).

What specific performance outcomes does the agency expect?

- Improve coordination of care for injured workers with chronic pain and emerging long-term disabilities.
- Progress toward a stretch goal of every injured worker being treated by a high-quality provider.
- Broader use of best practices by developing and implementing the Top-Tier provider network and related incentives.
- Expand use of evidence-based innovations (e.g., opioid guidelines, COHE’s model of paying for clinical leadership and care coordination, etc.).
- Expand automation, use and effectiveness of the Occupational Health Management System, including improved operability between OHMS and existing electronic health systems.

Performance measure detail

L&I currently does not report any measures to Results Washington related to disability prevention, although this work contributes to Goal 4: Healthy & Safe Communities.

Is this package is essential to implement any of the agency’s strategic goals?

This supports two of L&I’s strategic goals:

- Goal 2: Help injured workers heal and return to work
- Goal 3: Make it easy to do business with L&I.

Does this package provide essential support to one of the [Results Washington](#) priorities?

Goal 4: Healthy and Safe Communities > Safe People > Worker Safety.

What are the other important connections or impacts related to this proposal?

- This proposal aligns with and implements key strategies related to the state as a first mover on high-quality purchasing and reducing chronic disability in the [Washington State Health Innovation Plan](#).
- Key business, labor and provider stakeholders are supportive. The proposal was developed with support and input from L&I’s Advisory Committee on Health Care Innovation & Evaluation ([ACHIEV](#)).

Describe any impact on other government (local or state) programs.

State healthcare purchasing agencies support the vision and activities because it aligns and implements shared goals toward evidence- and value-based purchasing and system coordination.

What alternatives were explored by the agency, and why was this alternative the best?

The proposal completes implementation of key reforms (Top Tier, new best practices). The strategies were chosen to fulfill legislative mandate and to align with advisory committee input and state healthcare purchasing plans. Status quo may cost less initially, but would make it harder for L&I to reduce long-term disability and the associated costs.

What are the consequences of not funding this package?

L&I would not be able to fully reach its goals of reducing disability and obtaining better outcomes for workers through evidence- and value-based healthcare purchasing and ensuring system coordination.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time?

The following are one-time costs:

- The expansion of OHMS pilot.
- The best-practice development and evaluation using peer reviewed standards.
- 1 FTE *project* Nurse Manager for 24 months.
- 1 FTE *project* Medical Program Specialist 3 for 24 months.
- 1 FTE *project* Program Coordinator for 24 months.
- Start-up costs for new FTE.

Which are ongoing?

All other costs are ongoing.

What are the budget impacts in future biennia?

There are ongoing staff costs of approximately \$3.3 million per biennia.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	6.0	6.0	6.00	3.0	3.0	4.0
FTEs - Indirect	1.2	1.2	1.2	0.6	0.6	0.8
Objects of Expenditure:						
A - Salary and Wages	432,000	432,000	864,000	444,000	444,000	1,752,000
Indirect FTE Salary	34,000	34,000	68,000	36,000	36,000	140,000
B - Employee Benefits	163,000	163,000	326,000	168,000	168,000	662,000
Indirect FTE Benefits	13,000	13,000	26,000	14,000	14,000	54,000
C - Contracts	525,000	525,000	1,050,000			1,050,000
E - Goods and Services	140,000	110,000	250,000	110,000	110,000	470,000
AG Costs			0			0
G - Travel	2,000	2,000	4,000	2,000	2,000	8,000
J - Capital Outlays	59,000		59,000			59,000
TOTAL Expenditures	1,368,000	1,279,000	2,647,000	774,000	774,000	4,195,000
Funds:						
608 - Accident Account			0			0
609 - Med Aid Account	1,368,000	1,279,000	2,647,000	774,000	774,000	4,195,000
TOTAL Funds	1,368,000	1,279,000	2,647,000	774,000	774,000	4,195,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium m	Biennium m 2017-	Biennium m 2019-	TOTAL
001 - General Fund	0	0	0	0	0	0
01F - Crime Victim Account	0	0	0	0	0	0
095 - Electrical Account	0	0	0	0	0	0
608 - Accident Account	0	0	0	0	0	0
609 - Medical Aid Account	47,094	47,094	94,188	48,252	48,252	190,692
Other	0	0	0	0	0	0
TOTAL Funds	47,094	47,094	94,188	48,252	48,252	190,692

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Chemical Hazard Incident Prevention (CHIP) Team
Budget Period:	2015-17
Budget Level:	PL-N2

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$2 million and 5.8 biennial FTE to create a special unit that would specialize in protecting workers and communities from explosions or other releases of highly hazardous chemicals at worksites. The program would apply specifically to facilities that store and use large amounts of certain types of highly hazardous chemicals.

Fiscal Detail

Change to Agency' Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	1.4	10.2	5.8
TOTAL FTEs	1.4	10.2	5.8

Operating Expenditures:	FY 2016	FY 2017	TOTAL
608 Accident Account-State	183,000	1,569,000	1,752,000
609 Medical Aid Account-State	32,000	277,000	309,000
TOTAL Expenditures	215,000	1,846,000	2,061,000

Package Description

Background

Currently in Washington, 387 worksites – including five oil refineries – fall under the Process Safety Management of Highly Hazardous Chemicals (PSM) rule. The rule applies to employers with facilities that store and use large amounts of certain types of highly hazardous chemicals. The goal is to ensure that employers establish adequate engineering and maintenance practices to prevent explosions or other releases of highly hazardous chemicals at their worksites that can harm the environment and kill or injure workers.

Many of these facilities use very complicated industrial processes that require highly specialized expertise and credentials to properly inspect and assess the safety conditions. The Department of Labor & Industries (L&I) has only four inspectors qualified to inspect PSM facilities. All four PSM inspectors are kept busy investigating incidents and complaints; they are not conducting comprehensive safety consultations or compliance inspections for the purpose of preventing chemical releases that could endanger workers and, potentially, the public and the environment. These “reactive” inspections are partial investigations that focus solely on the specific chemical

process that failed or the potential urgent hazard that is reported. There's inadequate resources to review all of the chemical processes that may be occurring at the facility.

From January 2009 through June 2014, L&I inspectors conducted only 67 partial compliance inspections and 14 safety consultations (requested by site managers) at facilities that fall under the PSM rule. That means a large majority of PSM sites have not been reviewed in at least six years. While no chemical releases have been reported to L&I at those sites, it doesn't mean they're risk-free.

The risk of catastrophic events is real, as evidenced by explosions at Shell Equilon in Anacortes in 1998, where six people died, and Tesoro Anacortes in 2010, where seven workers were killed. The fertilizer-plant explosion in West, Texas, in 2013 occurred at a PSM facility that had not been inspected in more than 15 years.

After investigating the Tesoro explosion, the U.S. Chemical Safety Board (CSB) advised that the state of Washington should adopt a stronger regulatory approach to reduce the risk of similar catastrophes in the future. In particular, the board recommended that the state require companies to not just perform hazard analyses, but also require them to analyze whether they have effective safeguards and to take action to control hazards. The report, issued in early 2014, also noted that the Department of Labor & Industries does not have enough staff with the specialized qualifications to actively inspect and monitor these facilities.

Current situation

L&I is making it a priority to reduce injury and illness rates at workplaces visited by the department and to foster a culture of safety in as many workplaces as possible. L&I's Division of Occupational Safety & Health (DOSHS) visits about 7,250 (2.4 percent) out of roughly 300,000 total worksites in Washington each year. About one-third of these are "safety consultations" to help small- and medium-sized employers understand and comply with requirements. Two-thirds are "compliance inspections" that involve 1) investigations of fatalities and hospitalizations, 2) inspections in response to complaints and referrals, and 3) recurring inspections of high-hazard worksites to identify potential hazards.

The number of L&I inspectors and consultation staff has stayed essentially flat over the last 15 years. Meanwhile, the number of workplaces and workers has grown significantly, and the federal OSHA and State Legislature have added more programs and regulatory responsibilities to their plates. The growing workload, coupled with stagnant staffing level, makes it difficult to reassign existing resources to provide increased oversight of PSM facilities.

Comprehensive PSM inspections and onsite consultations are very complex engineering analyses that take the equivalent resource time of approximately 15 regular (non-PSM) industrial-hygiene inspections or consultations. To make even a minimal improvement in PSM oversight, L&I would have to shift a lot of capacity away from inspecting other hazardous industries, thereby increasing the potential for workplace tragedies in those other industries – a move that L&I does not support.

Narrative Justification and Impact Statement

Proposed solution

The proposed funding would allow L&I to establish a unit within the Division of Occupational Safety & Health to focus on protecting workers, the public and the environment from highly hazardous chemicals. The department would continue to dedicate four existing positions to the program and is requesting 11 additional positions, to be phased in over three years (see “Staffing cost” for details).

The first year would focus on setting up the program and beginning to hire and train inspectors. In particular, L&I will need to develop a new personnel classification to better reflect the skills, certification requirements and responsibilities for a PSM inspector, and to support the department’s ability to recruit qualified workers in this highly competitive field. The first compliance inspections and safety consultations would begin in July 2016, with full implementation by the third year.

Compliance inspections for the 387 PSM worksites would be prioritized based on criteria such as the toxicity, flammability and amount of chemicals at each site; each site’s history of reported chemical releases and worker injuries; the number of employees onsite; and size of the nearby population. Voluntary safety consultations would be available to the 126 small- and medium-sized employers that use large amounts of highly hazardous chemicals in their processes. In developing this proposal, L&I looked at how other states are tackling this issue. The state of California has taken a similar approach by creating a PSM Review Program.

What specific performance outcomes does the agency expect?

This investment addresses a documented area of deficiency in Washington: the lack of preventative oversight of workplaces that use highly hazardous chemicals in their processes. The new program would not only respond to accidents and other reported problems, but also conduct compliance inspections on a prioritized, recurring basis, with the goal of identifying potential problems before they result in catastrophic failures. The program also would provide onsite safety consultations and risk-management services to help small- and medium-sized companies understand the rules and make necessary improvements.

This investment would bring Washington state closer to meeting the oversight standards recommended by the U.S. Chemical Safety Board (CSB)

Performance measure detail

Goal 4: Worker Safety measures:

- 2.5 ~ Decrease workplace injury rates that result in missing three or more days from work from 1,514 per 100,000 full-time workers to 1,425 per 100,000 full-time workers by 2016.
- 2.5.a ~ Decrease rate of extremely serious worker injuries that lead to death from 2.7 per 100,000 full-time workers to 2.5 per 100,000 full-time workers by 2016.

- 2.5.b ~ Decrease rate of extremely serious worker injuries that lead to hospitalizations from 50 per 100,000 in fiscal year 2012 to 43 per 100,000 by 2016.

Describe whether this package is essential to implement one of the agency's strategic goals.

Goal 1: Make workplaces safe by reducing injury rate at workplaces visited by L&I and by fostering a culture of safety at as many workplaces as possible.

Goal 3: Make it easy to do business with L&I by providing information and materials that customers can easily understand; decreasing time and costs for customers; and improving specific processes based on customer needs/expectations.

Does this package provide essential support to one or more [Results Washington](#) priorities?

Goal 4: Healthy & Safe Communities (see performance-measure detail above).

What are the other important connections or impacts related to this proposal?

The following stakeholders have voiced their concern and support for adding staff to inspect or consult with the nearly 400 highly hazardous chemical worksites.

- Washington State Labor Council.
- United Steelworkers Local 12-591 union has expressed a need and support for additional PSM inspector/consultation staff.
- The U.S. Chemical Safety Board recommends that Washington state “establish a well funded, well staffed, technically qualified regulator...” including “employment of sufficient numbers of technically competent personnel to assess, verify and intervene as necessary.”

Legal matter: Currently, the Tesoro inspection is under appeal at the Board of Industrial Insurance Appeals. Litigation is ongoing.

Describe any impact on other government (local or state) programs.

The federal Environmental Protection Agency and the state Department of Ecology also have regulatory oversight of hazardous chemicals to prevent environmental harm. Their regulatory scope encompasses a broader array of chemicals and includes storage practices, but does not cover worker fatality and injury prevention. We will need to continue collaborating with both agencies, as we do now.

What alternatives were explored by the agency, and why was this alternative the best?

- Option 1: Realign existing compliance and consultation resources to create a new unit.
 - > Current inspection staff is stretched to its limit inspecting and consulting with other hazardous industries.
 - > PSM inspectors require extensive specialized credentials and training that aren't standard for most workplace-safety consultants and inspectors. It's hard to recruit qualified PSM inspectors within the classifications currently available to Washington state agencies.
 - > Inspecting PSM sites is much more labor-intensive than non-PSM facilities. If we shifted existing resources to staff the new unit, L&I will conduct approximately 20 percent fewer

compliance and consultation visits each year at other types of worksites (i.e., 9 inspectors x 75 inspections each per year, plus 4 consultants x 72 visits per year). These activities and their numbers are audited and mandated by federal OSHA in order to maintain state plan approval.

- The federal government (OSHA) prohibits contracting for regulatory compliance inspections.

What are the consequences of not funding this package?

- L&I will not be able to conduct preventative inspections of the approximately nearly 400 workplaces that use large quantities of highly hazardous chemicals. The workers and surrounding communities will continue to face risks that might be avoided if these facilities were provided with safety consultations and regular inspections.
- Chemical explosions and releases at these sites typically cause worker fatalities, injuries and substantial damage to the facility, the environment, emergency responders and sometimes the public— and the resulting worker’s compensation costs are high as well.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

No legislation or rule-making are needed.

Expenditure calculations and assumptions

Staffing cost

- 1 WMS manager, beginning November 1, 2015.
- 6 Compliance Inspectors - Classification based on California, with a 22 percent decrease in cost of living. Salary for an associate process safety engineer in California = \$103,000- \$129,000. Corresponding salary in Olympia = \$105,000. Two positions beginning July 1, 2016; three positions beginning January 1, 2017; and one position July 1, 2018.
- 3 Consultation Inspectors - Classification based on California, with a 22 percent decrease in cost of living. Salary for an associated process safety engineer in California = \$103K to 129K. Corresponding salary in Olympia = \$105,000. (. Two position starting July 1, 2016 and one position starting January 1, 2017.
- 1 Administrative Assistant 3, beginning January 1, 2016.
- \$120,000 in attorney general costs, starting in the 2nd fiscal year.

The department will use four existing position that will be reallocated beginning July 1, 2016, from \$68,016 to 105,000.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

One-time \$10,000 first fiscal year and \$40,000 2nd fiscal year for relocation cost. Also \$20,000 first fiscal year and \$80,000 2nd fiscal for one-time equipment.

Budget impacts in future biennia:

Except for the one-time costs noted above, all other costs are ongoing. Staff phased into 2017-19 biennium for FTEs that start January 2017 and July 2018.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	1.2	8.0	4.6	10.0	11.0	8.5
FTEs - Indirect	0.2	2.2	1.2	2.4	2.6	2.1
Objects of Expenditure:						
A - Salary and Wages	105,000	939,000	1,044,000	2,109,000	2,214,000	5,367,000
Indirect FTE Salary	7,000	66,000	73,000	147,000	154,000	374,000
B - Employee Benefits	40,000	354,000	394,000	794,000	834,000	2,022,000
Indirect FTE Benefits	3,000	25,000	28,000	55,000	58,000	141,000
E - Goods and Services	35,000	214,000	249,000	462,000	478,000	1,189,000
AG Costs	0	120,000	120,000	240,000	240,000	600,000
G - Travel	5,000	48,000	53,000	129,000	136,000	318,000
J - Capital Outlays	20,000	80,000	100,000	10,000	0	110,000
TOTAL Expenditures	215,000	1,846,000	2,061,000	3,946,000	4,114,000	10,121,000

Funds:						
608 - Accident Account	183,000	1,569,000	1,752,000	3,346,000	3,496,000	8,594,000
609 - Medical Aid Account	32,000	277,000	309,000	600,000	618,000	1,527,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
608 - Accident Account	9,000	77,000	86,000	172,000	180,000	438,000
609 - Med Aid Account	1,000	14,000	15,000	30,000	32,000	77,000
TOTAL Funds	10,000	91,000	101,000	202,000	212,000	438,000

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect-cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Underground-Economy Investigations
Budget Period:	2015-17
Budget Level:	PL-N3

Agency Recommendation Summary Text

The Department of Labor & Industries wants to protect vulnerable workers and law-abiding employers by expanding its efforts to hold intentional violators accountable. Under this proposal, L&I would reassign six existing positions and request fix additional positions to create a Special Investigations Unit that would investigate and develop cases for criminal prosecution related to labor and safety laws, including wage and hour laws, workers' compensation, safety and health, construction compliance and prevailing wage.

L&I also requests additional staff to:

- Identify and recover money from medical providers who inappropriately bill the workers' compensation system.
- Run a pilot project on company-wide investigations.

Fiscal Detail

Operating Expenditures	FY 2016	FY 2017	Total
Accident Fund - 608-1	\$628,000	\$575,000	\$1,203,000
Medical Aid Fund, 609-1	\$751,000	\$685,000	\$1,436,000
Total Cost	\$1,379,000	\$1,260,000	\$2,639,000

Staffing	FY 2016	FY 2017	Total
All Other Funds	9.5	9.5	9.5
Total FTES	9.5	9.5	9.5

Package Description

Background

In a nationwide investigative news series published by Gannett News Service in September 2014, Washington was lauded as a national leader in identifying and prosecuting wage theft. Nevertheless, experts acknowledge this state's efforts are barely scratching the surface. Business and labor representatives feel the Department of Labor & Industries (L&I) doesn't do enough to hold flagrant, intentional violators of labor laws accountable – and L&I agrees.

The department spent the past year working with other agencies, business and labor to develop better strategies to hold people accountable within existing resources. This resulted in an agreement with the federal government to share information about companies that don't properly pay their workers or otherwise violate labor laws. The King County prosecutor's office and the

Attorney General's Office also have expressed interest in doing more to prosecute wage theft if L&I were able to develop the cases.

Currently, L&I is able to develop only a handful of prosecutions each year, mostly involving workers' compensation (e.g., 24 prosecutions in FY 2014 for workers' comp violations). The department doesn't have enough staff, with the right expertise, to take on the painstaking work required to build credible prosecution cases for other types of labor violations, such wage-theft, workplace safety or other serious offenses.

Current situation

Since 2004, L&I has improved its ability to *detect* violations of the workers' compensation system, contractor registration and other labor-related laws. However, the department lacks capacity to *prosecute* or take other effective actions against repeat or flagrant violators except in rare cases.

L&I has shown that increasing staff to fight fraud is a good investment. In 2010, the department ran a pilot program to find potential medical-billing fraud, abuse and errors. The nine-month pilot used software to detect billing anomalies and identified almost \$1 million in inappropriate payments. Based on the success of the pilot, the Legislature provided funding for one permanent FTE. That one FTE identified \$3.4 million in fiscal year 2014. In most cases, L&I recovers these funds from the providers' future billings, which undergo extra scrutiny by the agency. Providers committing egregious fraud are prosecuted (four providers were among L&I's 24 workers' comp prosecutions in FY 2014). L&I is confident that more inappropriate billing exists than one person can identify – and adding one more FTE could double the amount recovered.

Narrative Justification and Impact Statement

Proposed solution

L&I is requesting the following funding and additional staff positions:

- 5 FTE to create a Special Investigations Unit to investigate criminal fraud related to workers' compensation; employment standards (e.g., wage theft and worker classification); repeat unregistered-contractor violations; felony safety-and-health violations; or other potential cross-program, high-level civil or criminal actions. (L&I also plans to reassign six existing positions to the Special Investigations Unit.) The team would work with the Attorney General's Office and county prosecutors on these cases. Additional prosecutions would prevent the most flagrant violators from taking advantage of vulnerable workers, taking work away from honest employers and knowingly violating worker-safety laws.
 - > 1 FTE – *permanent* WMS to manage prosecution process and fraud detection.
 - > 3 FTE - *permanent* Investigator 3 to conduct criminal investigations.
 - > 1 FTE - *permanent* Investigator 2 to provide required evidence handling to law enforcement standards.

- 1 FTE - *permanent* Medical Program Specialist 1 to identify and recoup funds from inappropriate billing by medical providers. This position would use existing software to find an estimated \$3.4 million per year, with flagrant cases being referred to the special investigations team. This would help to reduce costs in the workers' compensation system.
- 2 FTE - *project* Industrial Relations Agent 3's for a pilot project to conduct company-wide investigations of wage-theft complaints and other employment standards violations, including referrals for potential criminal prosecutions, if warranted.
- *Facilities* ~ \$70,000 for an evidence storage room that meets law enforcement standards for prosecution.
- *AG costs* ~ The Attorney General's Office anticipates this special unit will increase the number of criminal referrals to its Economic Crimes Unit by approximately 33 percent. The AGO requests \$416,000 to provide additional prosecution services for cases referred by L&I.

What specific performance outcomes does the agency expect?

- More violators would be caught and held accountable (see tables below).
- More workers would have safe working conditions and would recoup unpaid wages.
- Honest employers would face less competition from the underground economy.
- Recouping overpayments from medical providers would protect the health of the workers' compensation fund and save employers money.

Annual referrals for prosecution

Program	Current	Future
Workers' compensation	24	24
Safety	0.5	2
Wages for worker	0	4
Construction	5	10
TOTAL	29.5	40

Annual Workers' Comp provider-billing reviews

Activity	Current	Future
Number of reviews	6,000	12,000
Dollars identified for recovery	\$3,400,000	\$6,800,000

Performance measure detail (L&I reports to Results Washington)

Goal 4: Healthy & Safe Communities. Objective 2.5. Decrease workplace injury rates that result in missing 3 or more days from work.

Is this package essential to implement one of the agency's strategic goals?

Goal 4: Help honest workers, businesses & providers by cracking down on dishonest ones.

Does this package provide essential support to one or more [Results Washington](#) priorities?

- **Goal 2:** Prosperous Economy > both Business Vitality and Thriving Washingtonians.
- **Goal 4:** Healthy & Safe Communities > Safe People > Worker Safety.

By increasing prosecutions of employers who violate safety laws, we will raise awareness that will help deter employers from knowingly creating conditions that harm workers.

What are the other important connections or impacts related to this proposal?

In 2013, L&I partnered with Dept. of Revenue and the Employment Security Department to convene the [Construction Underground Economy Advisory Committee](#), involving a wide range of business and labor groups that are concerned about the underground economy. They included the Building Industry Assn. of Washington, National Federation of Independent Business, Associated Builders & Contractors of Western Washington, Independent Business Association, Better Business Bureau, Washington Building & Construction Trades Council, Washington State Labor Council and National Construction Alliance. The committee has urged L&I to be more aggressive about penalizing and prosecuting businesses that blatantly violate the rules.

Describe any impact on other government (local or state) programs.

- Adding a prosecution unit will affect the Attorney General’s Office. It will need to provide legal advice on criminal prosecution processes and company-wide investigations, as well as represent the department in court.
- King County prosecutor’s office has shown interest in prosecuting some of these cases from L&I.
- The Employment Security Department (ESD) may be affected if the company-wide wage investigations pilot project identifies unreported workers or workers who are being paid improperly. L&I will refer such cases to ESD.
- Both ESD and the Department of Revenue may be affected by better coordination on criminal cases of mutual interest.

What alternatives were explored by the agency, and why was this alternative the best?

- **Larger request:** L&I considered asking for even more resources for the special prosecutions team, but instead plans to reassign 6 existing positions from elsewhere in the program to support this effort.
- **Company-wide wage enforcement:** L&I considered asking for a unit of workers to conduct company-wide wage investigations on a permanent basis, but decided to limit the request to a pilot project in order to show results, and potentially come back at a later date to request permanent funding if the results warrant it.

- **Construction enforcement:** L&I also considered asking for staff for a new construction enforcement unit. But given the competition for scarce funding, the department chose to narrow the focus of this request. If the criminal prosecution unit delivers great results, L&I may consider a broader request in the future.
- **Redirect workers' comp prosecution staff:** Would reduce workers' comp prosecutions.

What are the consequences of adopting or not adopting this package?

Repeated and flagrant violations would continue to occur with little chance of being prosecuted, and stakeholders will continue to be frustrated and raise concerns about:

- Competing against businesses that are operating illegally.
- Workers not getting paid what they're owed.
- Continued loss of workers' comp funds to medical providers who bill L&I inappropriately.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing laws, rules or contracts?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time or ongoing? Budget impacts in future biennia?

Distinction between one-time and ongoing costs:

One-time costs include two Industrial Relations Agent 3s for two years and \$118,000 for moving and equipment costs for the new employees.

Budget impacts in future biennia:

The 7.2 FTEs and associated costs of \$2,060,000 are ongoing costs.

Expenditure Calculations	FY 2016	FY 2017	TOTAL Biennium	Biennium 2015-2017	Biennium 2017-2019	TOTAL
FTEs - Direct	8.0	8.0	8.0	6.0	6.0	6.7
FTEs - Indirect	1.3	1.3	1.3	1.2	1.2	1.2
Objects of Expenditure:						
A - Salary and Wages	502,000	502,000	1,004,000	780,000	780,000	2,564,000
Indirect FTE Salary	45,000	45,000	90,000	68,000	68,000	226,000
B - Employee Benefits	189,000	189,000	378,000	294,000	294,000	966,000
Indirect FTE Benefits	17,000	17,000	34,000	26,000	26,000	86,000
C - Personal Service Contracts	0	0	0	0	0	0
E - Goods and Services	288,000	247,000	535,000	402,000	402,000	1,339,000
AG Costs	208,000	208,000	416,000	416,000	416,000	1,248,000
G - Travel	52,000	52,000	104,000	74,000	74,000	252,000
J - Capital Outlays	78,000	0	78,000	0	0	78,000
TOTAL Expenditures	1,379,000	1,260,000	2,639,000	2,060,000	2,060,000	6,759,000

Funds:						
608 - Accident Account	564,000	518,000	1,082,000	922,000	922,000	2,926,000
609 - Medical Aid Account	686,000	627,000	1,313,000	1,138,000	1,138,000	3,589,000
TOTAL Funds	1,379,000	1,260,000	2,639,000	2,060,000	2,060,000	4,120,000

The amount included in this decision package for indirect is:

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
608 - Accident Account	31,000	31,000	62,000	47,000	47,000	156,000
609 - Medical Aid Account	31,000	31,000	62,000	47,000	47,000	156,000
TOTAL Funds	62,000	62,000	124,000	94,000	94,000	312,000

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect-cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Revenue calculations and assumptions

While this package will not generate new revenue, it will result in cost recoveries of an additional \$3.4 million per year (non-appropriated Medical Aid Fund) related to reduced fraudulent or inappropriate medical provider billings to L&I.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Enhancing Return to Work for Injured Workers
Budget Period:	2015-17
Budget Level:	PL-N4

Placeholder

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is proposing legislation to expand preferred worker program (PWP) benefits and make permanent certain elements of the 2007 vocational improvement legislation. The legislation will expand PWP as a tool under the statutory return-to-work priorities when a worker is referred by the department for vocational assistance. L&I's proposal would also make permanent certain provisions of the 2007 legislation that expanded vocational benefits and choices for injured workers, protected employers from the claim costs related to retraining under certain circumstances, and ensured all parties are accountable.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Retire LINIIS
Budget Period:	2015-17
Budget Level:	PL-N5

Agency Recommendation Summary Text

The Department of Labor & Industries proposes to migrate its nearly 30-year-old workers' compensation computer system – called the Labor and Industries Industrial Insurance System (LINIIS) – to contemporary technology architecture that will be more stable and easier to maintain and operate, freeing up time to focus on serving customers. This is the first of five steps L&I will propose over several biennia to modernize all of the agency's applications that use the 1980s-era technology – with the goal of retiring LINIIS before it's 40.

Fiscal Detail

Change to Agency' Staff and Expenditures

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	9.0	8.0	8.5
TOTAL FTEs	9.0	8.0	8.5

Operating Expenditures:	FY 2016	FY 2017	TOTAL
608 Accident Account-State	2,414,000	2,510,000	4,924,000
609 Medical Aid Account-State	2,414,000	2,509,000	4,923,000
TOTAL Expenditures	4,828,000	5,019,000	9,847,000

Package Description

Background

Washington's workers' compensation computer system, called the Labor & Industries Industrial Insurance System (LINIIS), has been in use since 1986. In human years, it would be considered relatively young; but in computer years, this old mainframe is living on borrowed time.

The current LINIIS system is frustrating for staff and customers alike:

- **Technology staff** ~ LINIIS speaks an outdated computer language that fewer and fewer IT specialists are familiar with. This makes it hard to maintain the current system, let alone build or adapt newer applications to accommodate continuously changing best-practice treatment for injured workers and quickly respond to state law or program changes.
- **Claims staff** ~ As seen in the following image, LINIIS' outdated screens and functionality make it cumbersome for front-line staff to work with, so it bogs down customer service. Employees often have to access dozens of screens in order to review or assemble all the necessary information to complete a task, serve a customer or make a decision.

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Reflection Workspace - [Session1.rdx]
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STAT CODE      : COMPENSABLE                            CLM ON RVW CODE : N
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OLYMPIA WA 98501                                       PHN NUM : (206) 755-9425
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- **Customers** find the current manual processes and paper flow burdensome and slow. There’s no single point of entry into L&I electronic systems; information and directions aren’t consistent; and benefits and services are not always obvious. Customers are demanding a higher level of service, access to additional information and the ability to conduct business 24/7. L&I cannot reasonably meet these expectations with the current LINIIS system.

In 2007, L&I began planning a project called Phased Replacement of Legacy Systems (PRLS) to modernize all of the agency’s mainframe applications. The plan called for an 8- to 10-year project to take a piece at a time off the mainframe and simultaneously modernize the business processes and corresponding applications. However, because of the deep recession and delayed economic recovery, the implementation timeline has stretched even further. L&I has taken some incremental steps to keep the project moving forward. However, the sheer age and inflexibility of the mainframe system, the need to serve customers more efficiently, and customers’ growing expectation to access services and information online are creating pressure to pick up the pace.

Current situation

In the past few years, alternative approaches have become available in the marketplace for migrating legacy applications to modern architecture. L&I’s revised strategy is to complete a straight migration from the mainframe to the Windows environment with no immediate changes to the application itself. This approach would move the system off the mainframe in a relatively short timeframe and position the agency to modernize discrete segments of the application within the new architecture over several biennia.

By the end of the 2013-15 biennium, L&I will complete some of the initial migration to the Windows environment. The department is requesting funding during the 2015-17 biennium to complete the remaining portions of the LINIIS migration.

Then, over the following four biennia, L&I will seek funding to modernize or replace each application in LINIIS. These include systems that support employer programs (e.g., workers' comp premiums, rate-setting, employer billing, enrollment); claims management; medical providers; pensions; financial fund management; and safety and health compliance. The department will seek funding during the 2015-17 biennium to begin preliminary design work and business-process engineering for the first set of LINIIS applications to be modernized. The deliverables from this effort will inform the budget request for the 2017-19 biennium.

Narrative Justification and Impact Statement

Proposed solution

This proposal is to complete the LINIIS system migration during the 2015-17 biennium and to begin designing and planning the modernization project for the first set of LINIIS applications.

Migration project ~ The scope includes implementing the migrated online LINIIS system in the Windows environment as well as the migrated mainframe database and batch-processing system. L&I needs the following resources to complete the migration:

- Contractor services
 - > Migration vendor – provide software migration license and industry expertise, and migrate the LINIIS application.
 - > Quality-assurance contractor – provide independent review of project-management deliverables and results.
 - > Independent verification and validation – test and validate that the solution meets the requirements.
- Project positions
 - > 1 WMS – Project manager
 - > 2 Information Technology Specialist 4's – Business analyst and tester
- Permanent positions
 - > 1 Information Technology Systems/Applications Specialist 6 - Architect
 - > 2 Information Technology Specialist 5's – Testing lead and technical lead
 - > 1 Information Technology Specialist 4 – Tester
- Software licenses, servers and storage.

Completing the migration will establish core expertise for completing the rest of the modernization project over the coming decade.

Plan and design first modernization project ~ This proposal seeks funding to begin planning and designing the first of four projects to modernize or replace all LINIIS applications. During

the 2015-17 biennium, L&I would document internal business-process requirements, conduct a gap analysis and develop a high-level design. These deliverables will provide details for the 2017-19 budget request to develop, test and implement the first modernization project. L&I needs the following resources to complete the planning and design effort:

- Contractor services
 - > Business process re-engineering and design expertise.
- Project positions
 - > 1 WMS – Project manager
 - > 1 Information Technology Specialist 4 – Business analyst

What specific performance outcomes does the agency expect?

Modernizing our legacy systems will allow us to:

- Use more efficient, contemporary approaches to computer programming, making it easier to support the agency’s various programs now and in the future.
- Implement a modular design that is more flexible to modify for future changes.
- Improve application interfaces so they simplify daily work processes for staff.
- Ensure our technology is at a current version so features of newer technology can be used – including more and better online resources for customers.

Performance measure detail

L&I has no measures directly related to the performance of the mainframe computer system, but modernizing the mainframe system and its ancillary applications form an essential foundation for accomplishing several of L&I’s performance goals (see next question).

Is this package essential to implement one of the agency’s strategic goals?

Modernizing our technology is crucial for L&I to operate more efficiently, to make L&I an employer of choice for technology professionals, to avoid system failures that would interrupt customer service, to support modern applications that expand access for customers, and to be more responsive to changing business needs. In that sense, this budget request supports all of the agency’s strategic goals: 1) Improve workplace safety; 2) Help injured workers heal and return to work; 3) Make it easy to do business with L&I; 4) Clamp down on fraud; and 5) Make L&I a desirable place to work – but **primarily goal 3**.

Does this package provide essential support to one or more [Results Washington](#) priorities?

Goal 5: Improve State Government Efficiency

- Increase/maintain timely delivery for state services
- Increase number of services available online.
- Increase percentage of state employees satisfied with their jobs.
- Increase percentage of state employees who believe we are increasing customer value.

Once the mainframe migration is completed, future modernization efforts also would support Goal 2: Prosperous economy and Goal 4: Healthy & safe communities.

What are the other important connections or impacts related to this proposal?

There are two groups of stakeholders affected by this proposal.

1. LINIIS system users (L&I staff) would be minimally affected. The migration simply moves the system from one location to another. Users will have to learn a different step to start the system; from there, the existing screens and all functionality would be the same, for now.
2. The state's Consolidated Technology Services (CTS) agency manages the mainframe on which LINIIS operates. While this proposal would continue operating LINIIS at CTS, it will change from the mainframe to a Windows environment. L&I has many applications currently in the Windows environment, and this proposal will increase that number.

Describe any impact on other government (local or state) programs.

There is no anticipated effect on other government programs.

What alternatives were explored by the agency, and why was this alternative the best?

Alternatives previously explored for the migration and modernization were referenced above. The marketplace now provides approaches that allow us to achieve results earlier and incrementally, rather than a massive project.

What are the consequences of not funding this package?

It would put the applications at risk as fewer staff with skills and knowledge are available in the marketplace to manage legacy technology. It also would result in slower response to business changes and higher risk of application problems due to the tightly integrated nature of the mainframe system.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time?

Migration project

- WMS project manager (for migration project) – July 2015–June 2017.
- Information Technology Specialist 4 – Business analyst – July 2015–December 2016.
- Information Technology Specialist 4 – Tester – July 2015–December 2016.
- Contract, equipment and one-time move cost of \$4,649,000.
- Contingency of \$1,039,679.

Plan/design first modernization project

- WMS project manager – July 2015–June 2017

- Information Technology Specialist 4 – Business analyst –. July 2015–June 2017
- Contractor - \$800,000

Which are ongoing?

- Information Technology Systems/Applications Specialist 6 - Architect
- Information Technology Specialist 5 – Testing lead
- Information Technology Specialist 5 – Technical lead
- Information Technology Specialist 4 – Tester
- Software licensing and servers and leases

What are the budget impacts in future biennia?

Same as above.

Note: Over the following four biennia, L&I will submit additional funding requests to gradually modernize all applications that are part of LINIIS.

Expenditure Calculations and Assumptions

FTEs - Direct	9.0	8.0	8.5	4.0	4.0	5.5
FTEs - Indirect	0.0	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:						
A - Salary and Wages	711,000	640,000	1,351,000	632,000	632,000	2,615,000
Indirect FTE Salary	0	0	0	0	0	0
B - Employee Benefits	268,000	241,000	509,000	238,000	238,000	985,000
Indirect FTE Benefits	0	0	0	0	0	0
C - Contracts	2,635,000	2,710,000	5,345,000			5,345,000
E - Goods and Services	1,124,000	1,426,000	2,550,000	1,670,000	1,670,000	5,890,000
AG Costs	0	0	0	0	0	0
G - Travel	2,000	2,000	4,000	2,000	2,000	8,000
J - Capital Outlays	88,000	0	88,000	0	0	88,000
TOTAL Expenditures	4,828,000	5,019,000	9,847,000	2,542,000	2,542,000	14,931,000
Funds:						
608 - Accident Account	2,414,000	2,510,000	4,924,000	1,271,000	1,271,000	7,466,000
609 - Med Aid Account	2,414,000	2,509,000	4,923,000	1,271,000	1,271,000	7,465,000
TOTAL Funds	4,828,000	5,019,000	9,847,000	2,542,000	2,542,000	14,931,000

Revenue calculations and assumptions

None.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Self-Insurance Risk-Analysis System
Budget Period:	2015-17
Budget Level:	PL-N6

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is launching an initiative to improve auditing and oversight of employers that self-insure for worker compensation. To implement that initiative, L&I requests funding to develop a Self-Insurance Risk-Analysis System (SIRAS) that will not only provide data for prioritizing and targeting audits, but also satisfy requests from self-insured employers to integrate with the nationwide data-reporting system. The cost would be covered by the annual administrative assessment on self-insured employers.

Fiscal Detail

Operating Expenditures	FY 2016	FY 2017	Total
Accident Fund, 608-1	\$ 814,000	\$ 422,000	\$ 1,236,000
Medical Aid Fund, 609-1	\$ 814,000	\$ 422,000	\$ 1,236,000
Total Cost	\$ 1,628,000	\$ 844,000	\$ 2,472,000

Staffing	FY 2016	FY 2017	Total
General Fund, 001-1			0.0
All Other Funds, 996-1	4.0	4.0	4.0
Total	4.0	4.0	4.0

Package Description

Background

The Department of Labor & Industries is launching an audit-reform initiative for the workers' compensation Self-Insurance Program. The initiative will address long-standing concerns from self-insured employers about the frequency of audits as well as concerns from both worker advocates and employers about the need for more attention on chronic compliance problems. The department's existing model for auditing self-insured employers is outdated and inflexible, and could be made more effective. The deficiencies include:

- The system lacks data to help target audits based on priorities, complaints or other specific areas of concern. Consequently, all self-insured employers are treated the same – undergoing broad-based audits every 5 to 6 years, even if they have exemplary records.
- Employers and worker advocates are dissatisfied with current audit practices. They feel the audit process is lengthy, that it addresses random areas of insignificance, and it doesn't ensure that real problems are resolved quickly.
- Self-insured employers that operate in multiple states are frustrated that Washington's self-insurance computer system is not connected with other states and uses different data definitions,

so it's difficult for them to report, compare and monitor their costs and performance from state to state. They want Washington to integrate with the national electronic-data interchange.

- L&I currently has no procedure for people to submit complaints about the self-insurance system, other than filing a formal dispute on a specific claim – and requests for an L&I action on a claim must be submitted on paper. Web-based tools could make these activities easier for customers and enable L&I to more efficiently triage and route these inquiries for response.

Current situation

To qualify and maintain self-insured status, employers must meet stringent financial requirements and deliver accurate and timely benefits to injured workers. Currently, 363 Washington employers are authorized to self-insure. Together, they employ 868,000 workers, about one-quarter of Washington's workforce.

Historically, L&I has audited all self-insured employers on a recurring basis to ensure they're complying with worker compensation laws and regulations – regardless of the size of the employer, known problems with the employer's self-insured program, or an awareness of compliance issues seen throughout Washington. Going forward, L&I is adopting a model that promotes and rewards voluntary compliance.

With support from business and labor stakeholders, L&I is shifting to a risk-based auditing model that focuses on the most significant problems, rather than randomly auditing self-insured employers in essentially chronological order. To implement a risk-based model, the auditing system must be able to collect and easily synthesize data from multiple sources to help identify anomalies.

The board of the Washington Self-Insurers Association (WSIA) voted to support a development project to connect Washington with the national electronic-data interchange, with the understanding that it would occur only as part of a broader technology project to build a Self-Insurance Risk-Analysis System (SIRAS).

The national interchange has adopted standardized data elements, and it provides a one-stop portal for reporting worker compensation data. This is a great advantage for self-insured employers that operate in multiple states and want the ability to compare their worker comp programs from state to state. In addition, the national system collects a wider range of information than L&I's existing Self-Insurance Electronic Data Reporting System (SIEDRS), so L&I would benefit by having access to additional data about the worker compensation system.

Narrative Justification and Impact Statement

Proposed solution

L&I proposes to create a new, Web-based Self-Insurance Risk-Analysis System (SIRAS). SIRAS would supplement and integrate with L&I's existing Self-Insurance Electronic Data Reporting System (SIEDRS) – avoiding the expense of fully replacing it – by adding several new capabilities for L&I's customers and for the agency's self-insurance auditing staff. Specifically, SIRAS would:

- Enable injured workers, medical providers, or other constituents to submit complaints and requests through a new Web-based system. Then, L&I could quickly process and distribute these electronic inquiries for proper handling – streamlining administrative processes and decreasing response time for L&I and self-insurers.
- Collect and analyze aggregated data from multiple sources to detect patterns of abuse for follow-up audits. (Data sources would include Web complaints, the nationally standardized electronic-data interchange, and several of L&I’s existing systems.)
- Integrate with the national electronic-data interchange.

Labor and Industries requests the following resources to develop and implement SIRAS:

- 1 WMS *project* manager for two years to plan and manage the implementation of SIRAS.
- 2 *project* Information Technology Specialist 4 business analysts (for two years). One will determine the business requirements needed to develop the risk-analysis system; the other will determine the business requirements for the interface with the national data interchange.
- 0.25 *project* Information Technology Specialist 6 for two years for quality assurance.
- \$1,278,333 for contractors (technical architect, Web developer, application developer, database developer, mainframe programmer, and software quality-assurance).
- \$244,000 for vendor startup costs and ongoing support, a national database subscription, equipment for contractors and server lease costs.

What specific performance outcomes does the agency expect?

- Through risk-based analysis, L&I will be better able to identify compliance problems for focused audits, while spending less time scrutinizing “good” behavior. This will help ensure that injured workers get appropriate and timely benefits and claim-related decisions; provide greater incentive for employers to comply with industrial insurance requirements, since good behavior can reduce their risk of being audited; and be a more efficient use of L&I’s auditing staff.
- The integration with the national electronic-data interchange will greatly please multi-state self-insured employers, since they’ll be able to report their worker compensation data in one location, using standardized data definitions, and will be able to compare their worker comp programs from state to state.
- The national data interchange also will deliver a broader array of data for L&I to use in its risk-based auditing analysis.
- The new Web-based system for submitting complaints and requests will simplify the process for customers and streamline the administrative processing for L&I and self-insured employers.

Performance measure detail (Results Washington)

Self-insurance audit activity is not reported currently in Results Washington. However, the agency anticipates using the data to establish and report on key measures of performance in accordance with international performance standards of auditing.

Is this package is essential to implement one of the agency’s strategic goals?

SIRAS supports two of L&I's strategic goals: Goal 3, Make it easier for customers to do business with L&I; and Goal 4, Identify non-compliance and take action to correct.

Does this package provide essential support to one or more [Results Washington](#) priorities?

- Goal 2: Prosperous economy, as complying businesses can focus more time on their business and less time on L&I audits – reducing the cost to do business, and
- Goal 5: Investing in state services that are the most important to customers, providing those services with excellence, and making the results easily available to the public.

What are the other important connections or impacts related to this proposal?

The Washington Self-Insurers Association has been briefed on the estimated cost. The members are aware that L&I is submitting a proposal to develop SIRAS, and they've have expressed great interest in the integration with the national data interchange. Costs associated with SIRAS will become part of the self-insured annual assessment.

Describe any impact on other government (local or state) programs.

None.

What alternatives were explored by the agency, and why was this alternative the best?

The SIRAS alternative was chosen through a Lean initiative. L&I staff mapped the process flow and determined that using data to identify risk is critical to a Lean risk-analysis process. The department considered a manual tracking system; however, due to the complexity, the need for objective and reliable data, and the administrative burden of maintaining a manual system, L&I determined an automated system would be needed. The SIRAS model integrates all the critical analytics required for the risk-based audit model, including the national electronic data interchange.

What are the consequences of adopting or not adopting this package?

If status quo were maintained, the current problems will not be solved. L&I's Self-Insurance Compliance Program will not be able to efficiently and effectively manage risk of noncompliance in the self-insurance community and there will be increased frustration among customers who are dissatisfied with and lack confidence in the current data model.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing laws, rules or contracts to implement this change?

No laws need to be revised, but rules for electronic data reporting would need amending. Rule-making can be completed within existing resources.

Expenditure calculations and assumptions

Which costs and functions are one-time? Which are ongoing? Budget impacts in future biennia?

Distinction between one-time and ongoing costs:

The project manager and two ITS4's are one-time costs, along with the contractor and vendor startup costs. The data dictionary subscription, server lease costs and vendor support are ongoing.

Budget impacts in future biennia:

Beginning in the 2017-19 biennium, three ITS4 FTE are necessary for system maintenance.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	3.3	3.3	3.3	3.0	3.0	3.1
FTEs - Indirect	0.7	0.7	0.7	0.6	0.6	0.6
Objects of Expenditure:						
A - Salary and Wages	255,000	255,000	510,000	428,000	428,000	1,366,000
Indirect FTE Salary	20,000	20,000	40,000	34,000	34,000	108,000
B - Employee Benefits	96,000	96,000	192,000	162,000	162,000	516,000
Indirect FTE Benefits	8,000	8,000	16,000	12,000	12,000	40,000
C - Contracts	115,000	40,000	155,000	80,000	80,000	315,000
E - Goods and Services	1,074,000	424,000	1,498,000	80,000	80,000	1,658,000
AG Costs	0	0	0	0	0	0
G - Travel	1,000	1,000	2,000	2,000	2,000	6,000
J - Capital Outlays	59,000	0	59,000	30,000	0	89,000
TOTAL Expenditures	1,628,000	844,000	2,472,000	828,000	798,000	4,098,000
Funds:						
608 - Accident Fund	814,000	422,000	1,236,000	481,000	458,000	2,175,000
609 - Medical Aid Fund	814,000	422,000	1,236,000	486,000	464,000	2,186,000
TOTAL Funds	1,628,000	844,000	2,472,000	967,000	922,000	4,361,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
608 - Accident Fund	14,000	14,000	28,000	23,000	23,000	74,000
609 - Medical Aid Fund	14,000	14,000	28,000	23,000	23,000	74,000
TOTAL Funds	28,000	28,000	56,000	46,000	46,000	148,000

Indirect-allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Relocating Yakima Field Office
Budget Period:	2015-17
Budget Level:	PL-N7

Agency Recommendation Summary Text

Due to the poor condition of the building, the Department of Labor & Industries is requesting funds to relocate its Yakima field office to a facility better suited to serving customers. The department will select a facility that will improve customer access, improve space efficiency and provide a safe environment for customers and staff.

Fiscal Detail

Change to Agency Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	0.0	0.0	0.0
TOTAL FTEs	0.0	0.0	0.0

Operating Expenditures:	FY 2016	FY 2017	TOTAL
608 Accident Account-State	0	558,000	558,000
609 Medical Aid Account-State	0	557,000	557,000
TOTAL Expenditures	0	1,115,000	1,115,000

Package Description

Background

The Department of Labor & Industries (L&I) has been a tenant in its current Yakima field office since 1997. L&I leases just over 18,000 square feet of space on the first floor of the building. There's work space for more than 80 employees and a front counter where employers and workers can receive one-on-one services related to all L&I programs.

The entire building is in poor condition, and the landlord has done little to respond to our requests for maintenance and repairs. The current lease expires in August 2017, which allows adequate time to re-evaluate space requirements and lease a new facility.

Current situation

The field office is located in an old fruit-packing warehouse that was converted into office space. While these types of buildings give the community a unique identity, they also require consistent maintenance to preserve their character. The landlord has been unwilling to maintain the 93-year-old building beyond responding to major outages. L&I and the Department of Enterprise Services met with the property management company in October 2013 regarding facility issues, but there have been no improvements to the field office since that meeting. The problems include the following.

- **Customer access:** Customers come to the field office for assistance with injured-worker claims, to file wage complaints, to purchase permits to modify their mobile homes, to become a registered contractor, or to file complaints against unscrupulous contractors. To reach our customer service desk, the public enters the front lobby area on the street level, then takes a set of stairs to the reception area. There's an elevator for customers who can't climb stairs – but it breaks down frequently. The landlord has opted to not replace it, so customers are repeatedly exposed to unreliable and potentially unsafe conditions. When the elevator is out of service, L&I employees escort customers around the building, then through the secured employee entrance and the employee work area to reach the front desk.
- **Safety:** Criminal activity in the area poses a risk to employees and customers. All three state agencies located in the building have experienced vehicle break-ins, theft and vandalism. Employees have been assaulted on the sidewalk in front of the facility; stalkers have followed staff and lingered in or near parking areas; gang activity and gunshots have been reported in the area; and in March 2013, a murder victim was discovered adjacent to one of the parking areas. Often, L&I employees find homeless people sleeping on the loading dock near the employee entrance.
- **Parking:** There are two separate parking areas at the rear of the building that L&I employees share with two other state agencies and local businesses. L&I customers may use these parking lots if they can find space; however, the location isn't obvious, and it's a long walk to the front entrance for injured workers. Most customers try to park on the busy street in front of the building, where space is limited.
- **Deferred maintenance:** The main HVAC rooftop units have reached or exceeded their life expectancy. The system has experienced multiple breakdowns and/or problems maintaining comfortable building temperatures. For example, in July 2014, the HVAC system broke and the field office temperature was above 85 degrees for several days. The department sent staff home early except for a skeleton crew to serve walk-in customers. So far, the building owner has been unwilling to replace the HVAC system.

In addition, the lighting-control system is no longer supported by the manufacturer. It's controlled by a computer that also is outdated and no longer supported.

A more efficient and safer layout, with better customer access, could be achieved in about 20,210 square feet if the field location were moved to another facility.

Narrative Justification and Impact Statement

Proposed solution

L&I would relocate the field office to another location in the Yakima area that has better parking, safety, accessibility and functionality.

What specific performance outcomes does the agency expect?

The efficiency and quality of customer service will improve by providing a better functioning, accessible and safe facility.

Performance measure detail

The performance measures the agency reports on in Results Washington will not be affected.

Provide a description if this package is essential to implement one of the agency’s strategic goals (linked with the agency’s strategic plan)?

The decision package supports the department’s goals of making the workplace safe for customers and employees, making it easy to do business with L&I, and making L&I the employer of choice.

Does this decision package provide essential support to one of the Governor’s priorities?

The decision package supports the governor’s goals of efficient and effective government, and retaining high-quality employees, by providing a safe and accessible facility for staff and customers.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

No.

What are the other important connections or impacts related to this proposal?

L&I customers and stakeholders support moving the Yakima field office to improve accessibility and safety. Local elected officials would like state agencies to maintain locations in downtown Yakima.

Describe any impact on other government (local or state) programs.

The Department of Ecology already has plans under way to move out of the building.

What alternatives were explored by the agency, and why was this alternative the best?

The poor building conditions cannot be resolved without significant infrastructure improvements, which the property manager has been unwilling to do. Relocating to a different facility is more likely to resolve the problems we’re experiencing.

What are the consequences of not funding this package?

Given the landlord’s unwillingness to improve the building, the safety, accessibility and functional problems will likely get worse – posing increasingly greater risks to customers and our staff.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions:

Which costs and functions are one-time?

This request is for one-time relocation costs. It covers the estimated costs of architectural and DES real estate fees, tenant improvements, new furniture, voice/data equipment and wiring, and moving services.

Which are ongoing?

With improved space efficiency, ongoing lease costs in a better facility are expected to be the same as in the current space.

What are the budget impacts in future biennia?

None are expected. Future lease cost increases could occur, as dictated by market conditions.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
Objects of Expenditure:						
E - Goods and Services	0	527,000	527,000	0	0	527,000
J - Equipment	0	588,000	588,000	0	0	588,000
TOTAL Expenditures	0	1,115,000	1,115,000	0	0	1,115,000
Funds:						
608 - Accident Account	0	558,000	558,000	0	0	558,000
609 - Medical Aid Account	0	557,000	557,000	0	0	557,000
TOTAL Funds	0	1,115,000	1,115,000	0	0	1,115,000

Revenue calculations and assumptions:

There is no additional revenue generated by this request.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Dedicated Account for Elevator, Contractor, FAS Programs
Budget Period:	2015-17
Budget Level:	PL-00

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is proposing legislation that would establish a new dedicated account for the Elevator, Contractor Registration and Factory Assembled Structure (FAS) programs. By transferring their operations from the General Fund-State into the dedicated fund, the programs would maintain greater stability for the services they provide and ensure timely inspections for safety and code compliance. The dedicated fund account would match the inspection and permit fees and penalties collected through the programs' activities.

Fiscal Detail

Change to Agency' Staff, Expenditures, and Revenue:

Staffing:	FY 2016	FY 2017	TOTAL
001 General Fund-State	(76.8)	(76.8)	(76.8)
New Fund	76.8	76.8	76.8
TOTAL FTEs	0.0	0.0	0.0

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001 General Fund-State	(9,173,000)	(9,173,000)	(18,346,000)
New Fund	9,173,000	9,173,000	18,346,000
TOTAL Expenditures	0	0	0

Package Description

Background

The role of the Elevator, Contractor Registration and FAS programs is to protect public safety and consumers by inspecting elevators and factory assembled structures and by having construction contractors maintain certain requirements to remain licensed.

- ***The Elevator Program*** inspects 33 types of conveyances, including elevators and escalators, to ensure proper maintenance and safe operations. The program reviews all plans for new conveyances before construction can begin and inspects the installation prior to public use; places conveyances on an annual inspection schedule; and conducts plan reviews and inspections for any alterations.
- ***The Contractor Registration & Compliance Program*** ensures that construction contractors are appropriately registered, bonded and insured. The program maintains a register of more than 53,000 building contractors the public can review to verify contractors' status. Inspectors enforce compliance with the contractor registration laws, make referrals for other

potential issues (such as unreported workers or potential worker-safety issues) and issue infractions to those who violate the registration, bonding and insurance requirements.

- ***The Factory Assembled Structures Program*** reviews and approves plans for manufactured housing, prefabricated commercial structures, recreational vehicles, food trucks, other commercial vendors and mobile medical units. The program also inspects alterations to manufactured homes and inspects factories (in-state and out-of-state) that ship units to sites in Washington. Inspectors identify and document any deviation from code requirements during the manufacturing or alteration processes. Staff issue permits for alterations, document any necessary corrections to meet code, and issue citations for illegal work activity.

Current Situation

These programs are entirely self-supporting through the inspection and permit fees paid for the services provided and from penalties assessed for violations. Currently, these revenues are deposited into the State's General Fund, from which operating expenses are drawn.

Historically, the revenues collected by these programs have fully covered their operating costs, without relying on additional General Fund dollars. Reducing staff capacity could cause a corresponding drop in inspections and enforcement – which would result in revenue reductions that equal or exceed the amount of avoided expense. Thus, subjecting these programs to the recurring instability of the General Fund:

- Destabilizes their funding, which makes it harder to attract and keep high-quality inspectors; and
- Increases risks to workers, consumers and the public from faulty construction and unscrupulous contractors.

Narrative Justification and Impact Statement

Proposed Solution

L&I proposes to transfer the revenue-supported operations of the Elevator, Contractor Registration and FAS programs from the General Fund into a newly established dedicated fund. Moving the programs would provide greater stability for the essential services they provide and help protect consumers and employees from harm. The dedicated account would equal the inspection and permit fees and penalties collected through these regulatory activities.

Under this proposal, revenue from these programs would be placed in the dedicated fund. Then each quarter, revenues collected from fines and penalties would be transferred to the State General Fund.

What specific performance outcomes does the agency expect?

By establishing a more stable funding source:

- The programs could provide consistent or even improved customer service, ensure the safety of workers and the public, protect consumers, and combat the underground economy in the construction industry.
- L&I would be better able to attract and keep technically skilled employees.
- L&I would have additional flexibility to quickly respond to workload changes related to the economy.

Performance measure detail (Results Washington performance measures)

This proposal directly supports two existing performance measures:

- Number of underground economy violations cited.
- Percent of elevator inspections completed within 60 days of inspection due date.

Is this package essential to implement one of the agency's strategic goals?

- **Goal 1:** Make workplaces safe, **Goal 3:** Make it easier to do business with L&I and **Goal 4:** Help honest workers and businesses by cracking down on the dishonest ones ~ by establishing a more stable funding source that gives L&I flexibility to adjust staffing to match workload changes and customers' needs.

Does this package provide essential support to one or more [Results Washington](#) priorities?

Goal 5: Effective, efficient & accountable government (1.1 and 1.3)

What are the other important connections or impacts related to this proposal?

Stakeholders have indicated strong support for establishing a dedicated funding source for these programs.

Describe any impact on other government (local or state) programs.

None.

What alternatives were explored by the agency, and why was this alternative the best?

Please refer to "consequences of not funding this package" below.

What are the consequences of adopting or not adopting this package?

The ups and downs of the General Fund would continue to play havoc with the stability of these important public-safety and consumer-protection programs, and would continue to make it difficult for L&I to respond nimbly to economy-driven workload changes related to Washington's construction and building industry.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

Changes are needed to the following RCWs & WACs:

- Elevator - RCW 70.87, WAC 296-96
- Contractor Registration – RCW 18.27, WAC 296-200A
- Factory Assembled Structures – RCW 43.22, WAC 296-150
- Funds – RCW 51.44

Expenditure calculations and assumptions

Which costs and functions are one-time?

None.

Which are ongoing?

This proposal results in ongoing impacts.

What are the budget impacts in future biennia?

This proposal results in ongoing revenue and expenditure impacts for future biennia.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	0.0	0.0	0.0	0.0	0.0	0.0
FTEs - Indirect	0.0	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:						
A - Salary and Wages	0	0	0	0	0	0
Indirect FTE Salary	0	0	0	0	0	0
B - Employee Benefits	0	0	0	0	0	0
Indirect FTE Benefits	0	0	0	0	0	0
E - Goods and Services	0	0	0	0	0	0
AG Costs	0	0	0	0	0	0
G - Travel	0	0	0	0	0	0
J - Capital Outlays	0	0	0	0	0	0
TOTAL Expenditures	0	0	0	0	0	0
Funds:						
001 - General Fund (Direct)	(8,598,000)	(8,630,000)	(17,228,000)	(17,228,000)	(17,228,000)	(51,684,000)
001 - General Fund (Indirect)	(575,000)	(543,000)	(1,118,000)	(1,118,000)	(1,118,000)	(3,354,000)
New Fund (Direct)	8,598,000	8,630,000	17,228,000	17,228,000	17,228,000	51,684,000
New Fund (Indirect)	575,000	543,000	1,118,000	1,118,000	1,118,000	3,354,000
TOTAL Funds	0	0	0	0	0	0

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits, and standard costs.

Revenue calculations and assumptions:

The proposal provides for the General Fund-State to retain fines and penalties revenue collected by the Elevator, Contractor, and Factory Assembled Structures programs. Total estimated revenue for these programs for the 2015-17 biennium is \$22.7 million. Estimated fines and penalties revenue for these programs for the 2015-17 biennium is \$2.8 million. The revenue over expenditures in the new fund allows the fund to build working capital and for future investments. The table below provides an estimate of the current and proposed revenue streams.

	Current (est.)	Proposed (est.)
	General Fund 15-17	Fines & Penalties to GFS
General Fund		
Est. Revenue	\$22,734,000	\$ 2,840,000
Appropriation	\$18,346,000	
Balance	\$ 4,388,000	
Dedicated Account		
Est. Revenue-Gross		\$22,734,000
Transfer to GF		\$2,840,000
Appropriation		\$18,346,000
Working Capital		\$1,548,000

This table shows the biennial revenue adjustments contained in this proposal: the original General Fund-State estimate, the transfer of fines and penalties revenue to the General Fund-State, and the amount retained by the new dedicated fund.

Funds	Total BI 15-17
General Fund-State - Original Estimate Adjustment	(22,734,000)
General Fund-State – Fines & Penalties	2,840,000
Revenue-New Fund	19,894,000

Revenue Estimates						
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19
001 - General Fund	(9,947,000)	(9,947,000)	(19,894,000)	(9,947,000)	(9,947,000)	(19,894,000)
New Fund	9,947,000	9,947,000	19,894,000	9,947,000	9,947,000	19,894,000
TOTAL Funds	0	0	0	0	0	0
Funds:	FY 2020	FY 2021	Total BI 19-21	FY 2022	FY 2023	Total BI 21-23
001 - General Fund	(9,947,000)	(9,947,000)	(19,894,000)	(9,947,000)	(9,947,000)	(19,894,000)
New Fund	9,947,000	9,947,000	19,894,000	9,947,000	9,947,000	19,894,000
TOTAL Funds	0	0	0	0	0	0
Funds:	FY 2024	FY 2025	Total BI 23-25	TOTAL		
001 - General Fund	(9,947,000)	(9,947,000)	(19,894,000)	(99,470,000)		
New Fund	9,947,000	9,947,000	19,894,000	99,470,000		
TOTAL Funds	0	0	0	0		

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Restore Factory Assembled Structures
Budget Period:	2015-17
Budget Level:	PL-O1

Agency Recommendation Summary Text

This proposal restores the \$300,000 General Fund-State operating reduction for the Factory Assembled Structures Program, and as a result, would restore \$604,000 in revenues generated by those activities.

Consistent with the directive issued by the Governor, the Department of Labor & Industries proposed a 15 percent, \$5.2 million General Fund-State reduction to its maintenance level for the 2015-17 biennium through a separate decision package. This proposal restores funding for the Factory Assembled Structures Program portion of the reduction.

Fiscal Detail

Change to Agency' Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	1.3	1.3	1.3
TOTAL FTEs	1.3	1.3	1.3

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001-1 General Fund-State	150,000	150,000	300,000
TOTAL Expenditures	150,000	150,000	300,000

Package Description

Background

The Factory Assembled Structures Program (RCW 43.22) reviews and approves plans for manufactured housing, commercial structures, recreational vehicles, food trucks and other commercial vendors, and mobile medical units. The program also inspects alterations to manufactured homes and inspects factories (in-state and out-of-state) that ship units to sites in Washington.

Inspectors identify and document any deviation from code requirements during the manufacturing or alteration process. The code requirements – including structural, electrical and plumbing evaluations – ensure the safety of homeowners and those who work in manufactured structures. Staff issue permits for alterations, document any necessary corrections to meet code, and issue citations for illegal work activity.

Factory-level inspections are intended to identify problems before construction begins, so manufacturers can make corrections before mass producing a product. They include facilities that manufacture:

- Recreational vehicles and trailers (conducted every two years).
- Modular homes (at manufacturer's request).
- Commercial coaches, such as construction trailers (at manufacturer's request).
- Temporary-worker housing units, which are commonly used in the agricultural industry (at manufacturer's request).

The program generates revenue from permits, plan reviews, inspection fees and penalties for violations of laws and rules. During the 2015-17 biennium, revenue is estimated to be about \$4.4 million.

Narrative Justification and Impact Statement

The reduction proposal called for eliminating the Factory Assembled Structures inspections performed in factories. Eliminating that service equates to 1.3 FTE and the associated expense of \$300,000. The agency has submitted a legislative request proposal to transfer operations of Elevator, Contractor Registration, and the Factory Assembled Structures program from the General Fund to a dedicated fund. If that proposal is not accepted, this proposal would restore the 1.3 FTE and funding of \$300,000 for the FAS program from the General Fund, as well as the estimated \$604,000 in biennial revenue generated by these activities.

Effect of the change on clients and services

This buyback proposal for the Factory Assembled Structures Program will restore the resources required to perform the factory inspections and the revenue they generate. As a result, manufacturers who wish to have their products and processes inspected will need to work only with L&I rather than the multitude of local jurisdictions where the units are delivered.

Inspectors' expertise provides homeowners with an assurance that the alteration work complies with all relevant codes. The Factory Assembles Structures Program Manager is considered the building official of record for these type of structures.

Required changes to existing RCW, WAC, contract or plan

None.

Which costs and functions are one-time?

None.

Which are ongoing?

This restoration proposal results in ongoing impacts.

What are the budget impacts in future biennia?

This restoration proposal reestablishes the public safety functions of this program..

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	1.3	1.3	1.3	1.3	1.3	1.3
Objects of Expenditure:						
A - Salary and Wages	82,000	82,000	164,000	164,000	164,000	492,000
B - Employee Benefits	31,000	31,000	62,000	62,000	62,000	186,000
E - Goods and Services	23,000	23,000	46,000	46,000	46,000	138,000
G - Travel	14,000	14,000	28,000	28,000	28,000	84,000
TOTAL Expenditures	150,000	150,000	300,000	300,000	300,000	900,000
Funds:						
001 - General Fund-State	150,000	150,000	300,000	300,000	300,000	900,000
TOTAL Funds	150,000	150,000	300,000	300,000	300,000	900,000

Revenue calculations and assumptions

The complete restoration for the Factory Assembled Structures Program will reverse the revenue decrease contemplated with the General Fund-State reduction requirement and L&I reduction proposal for the Factory Assembled Structures program..

Revenue Estimates						
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19
001 - General Fund	302,000	302,000	604,000	302,000	302,000	604,000
TOTAL Funds	302,000	302,000	604,000	302,000	302,000	604,000
Funds:	FY 2020	FY 2021	Total BI 19-21	FY 2022	FY 2023	Total BI 21-23
001 - General Fund	302,000	302,000	604,000	302,000	302,000	604,000
TOTAL Funds	302,000	302,000	604,000	302,000	302,000	604,000
Funds:	FY 2024	FY 2025	Total BI 23-25	TOTAL		
001 - General Fund	302,000	302,000	604,000	3,020,000		
TOTAL Funds	302,000	302,000	604,000	3,020,000		

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Restore Contractor Compliance in 608/609
Budget Period:	2015-17
Budget Level:	PL-O2

Agency Recommendation Summary Text

This proposal requests \$1.4 million in funding from the Accident Fund and Medical Aid Fund for the Contractor Registration & Compliance Program and, as a result, would restore more than \$2.5 million in revenues generated by those activities. In a separate package, L&I proposed cutting \$1.4 million in General Fund-State from its maintenance level for the Contractor Registration & Compliance Program for the 2015-17 biennium.

Fiscal Detail

Change to Agency' Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996-1 Other Funds	6.0	6.0	6.0
TOTAL FTEs	6.0	6.0	6.0

Operating Expenditures:	FY 2016	FY 2017	TOTAL
608-1 Accident Fund-State	350,000	350,000	700,000
609-1 Medical Aid Fund-State	350,000	350,000	700,000
TOTAL Expenditures	700,000	700,000	1,400,000

Package Description

L&I's Contractor Registration & Compliance Program (RCW 18.27) registers construction contractors who maintain at least a minimum level of bonding and insurance coverage. The purpose is to provide financial protection for homeowners and commercial suppliers of labor, materials and equipment from incompetent, unreliable, fraudulent and financially irresponsible contractors.

The department maintains a publicly accessible list of registered building contractors and conducts compliance inspections. The inspectors respond to tips and visit construction sites to ensure all contractors are registered, bonded and insured, and they take enforcement action against those who aren't playing by the rules. They also make referrals to other L&I regulatory programs if they spot potential safety problems or see evidence that employees aren't being properly reported or paid.

In fiscal year 2014, the inspectors:

- Checked for registration and license compliance with 17,939 contractors, electricians and plumbers at 11,775 jobsites.
- Made 3,266 referrals for suspected issues such as unpaid workers' compensation premiums.
- Issued 1,832 underground-economy violations, resulting in the collection of \$1.2 million in fines.

Data collected from fiscal year 2014 indicates the compliance inspectors identified various violations that benefited the Accident Fund and Medical Aid Fund. Under this proposal, the inspection costs related to those other activities would be assigned to those accounts in proportion with the amount of work currently being performed by the inspectors. This proposal requests \$1.4 million in funding from the Accident Fund and Medical Aid Fund to align with the program's current compliance efforts.

Narrative Justification and Impact Statement

The reduction proposal eliminated six registration and compliance inspectors and the associated expense of \$1.4 million for the 2015-17 biennium. That represents nearly one-quarter of the field inspection workforce for the Contractor Registration & Compliance Program.

Revenue from registration fees and penalties generated through inspection activities is passed through the General Fund to operate the program. Without any funding and staff reductions, the program is expected to generate approximately \$10.3 million in General Fund-State revenue during the 2015-17 biennium. Reducing the number of field inspectors would likely result in a corresponding drop in revenue.

This proposal would increase expenditures to the Accident Fund and Medical Aid Fund by transferring them from the General Fund-State for the Contractor Registration and Compliance Program. This proposal would restore \$1.4 million in funding, six inspectors, and revenue of approximately \$2.5 million.

Effect of the change on clients and services

The \$1.4 million restoration for the Contractor Registration & Compliance Program using funding from the Accident Fund and Medical Aid Fund would restore the six compliance inspectors during the 2015-17 biennium, resulting in restored compliance activity and estimated \$2.5 million in revenue.

Through its registration, community presence and compliance efforts, the program is a deterrent to irresponsible or incompetent contractors and unregistered contractors. The fund redistribution more accurately aligns with the department's current efforts to combat the persistent *underground economy*.

What are the other important connections or impacts related to this proposal?

In 2013, L&I convened the [Construction Underground Economy Advisory Committee](#), involving a wide range of business and labor groups concerned about the underground economy. The committee has urged L&I to be more aggressive about penalizing and prosecuting businesses that blatantly violate the rules. Restoring this funding enables the department to continue working toward that effort. In addition to restoring the six inspectors, the department also is proposing to strengthen its underground-economy resources through a separate proposal.

Required changes to existing RCW, WAC, contract or plan

None.

Which costs and functions are one-time?

None.

Which are ongoing?

There are ongoing Accident Fund and Medical Aid Fund costs of approximately \$1.4 million per biennium.

What are the budget impacts in future biennia?

There are ongoing Accident Fund and Medical Aid Fund costs of approximately \$1.4 million per biennium.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	6.0	6.0	6.0	6.0	6.0	6.0
Objects of Expenditure:						
A - Salary and Wages	399,000	399,000	798,000	798,000	798,000	2,394,000
B - Employee Benefits	150,000	150,000	300,000	300,000	300,000	900,000
E - Goods and Services	107,000	107,000	214,000	214,000	214,000	642,000
G - Travel	44,000	44,000	88,000	88,000	88,000	264,000
TOTAL Expenditures	700,000	700,000	1,400,000	1,400,000	1,400,000	4,200,000
Funds:						
608 - Accident Fund	350,000	350,000	700,000	700,000	700,000	2,100,000
609 - Medical Aid Fund	350,000	350,000	700,000	700,000	700,000	2,100,000
TOTAL Funds	700,000	700,000	1,400,000	1,400,000	1,400,000	4,200,000

Revenue calculations and assumptions

Restoring the \$1.4 million in funding for the Contractor Registration & Compliance Program also will restore six compliance inspectors and more than \$2.5 million in revenue generated through their efforts. These numbers are based on the following assumptions:

- Each registration compliance inspector generates \$55,697 per year in penalty revenue. Restoring six inspectors equates to approximately \$334,000 per fiscal year.
- A decrease in compliance presence reduces pressure on contractors to comply with registration requirements. Under the reduction proposal, it was assumed registration revenue could have returned to pre-underground-economy efforts, resulting in \$521,000 less revenue per year. This restoration proposal would restore that revenue.
- Each inspector generates \$80,450 per year in revenue related to workers’ compensation premium through audit and collections referrals. Restoring six inspectors also would restore approximately \$483,000 per fiscal year.

Revenue Estimates by Type	FY 2016	FY 2017	Total BI 15-17
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Penalties - 001 - General Fund	334,000	334,000	668,000
Registration - 001 - General Fund	521,000	521,000	1,042,000
Workers Comp Premium - Accident & Med Aid	483,000	483,000	966,000
Total	1,338,000	1,338,000	2,676,000

Revenue Estimates						
Funds:	FY 2016	FY 2017	Total BI 15-17	FY 2018	FY 2019	Total BI 17-19
001 - General Fund	855,000	855,000	1,710,000	855,000	855,000	1,710,000
608 - Accident Acct*	242,000	242,000	484,000	242,000	242,000	484,000
609 - Medical Aid Acct*	241,000	241,000	482,000	241,000	241,000	482,000
TOTAL Funds	1,338,000	1,338,000	2,676,000	1,338,000	1,338,000	2,676,000
Funds:	FY 2020	FY 2021	Total BI 19-21	FY 2022	FY 2023	Total BI 21-23
001 - General Fund	855,000	855,000	1,710,000	855,000	855,000	1,710,000
608 - Accident Acct*	242,000	242,000	484,000	242,000	242,000	484,000
609 - Medical Aid Acct*	241,000	241,000	482,000	241,000	241,000	482,000
TOTAL Funds	1,338,000	1,338,000	2,676,000	1,338,000	1,338,000	2,676,000
Funds:	FY 2024	FY 2025	Total BI 23-25	TOTAL		
001 - General Fund	855,000	855,000	1,710,000	8,550,000		
608 - Accident Acct*	242,000	242,000	484,000	2,420,000		
609 - Medical Aid Acct*	241,000	241,000	482,000	2,410,000		
TOTAL Funds	1,338,000	1,338,000	2,676,000	13,380,000		

* - workers compensation premiums are non-appropriated

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Reestablish Crime Victims Benefits
Budget Period:	2015-17
Budget Level:	PL-O3

Agency Recommendation Summary Text

This proposal reestablishes benefits for victims of crime by restoring state funding for the Crime Victims Compensation Program.

In a separate package, L&I proposed cutting crime victims funding as part of the Governor’s directive to identify General Fund-State reductions totaling 15 percent (or \$5.2 million) of maintenance level for the 2015-17 biennium. Restoring the crime victims funding would head off further decreases in federal matching funds and help to maintain supportive services for victims of crime.

Fiscal Detail

Change to Agency’ Staff, Expenditures, and Revenue:

Staffing:	FY 2016	FY 2017	TOTAL
001 General Fund-State	0.0	0.0	0.0
TOTAL FTEs	0.0	0.0	0.0

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001 General Fund-State	1,750,000	1,750,000	3,500,000
TOTAL Expenditures	1,750,000	1,750,000	3,500,000

Package Description

Background

To meet a portion of the 15 percent General Fund-State reduction requirement, the Department of Labor & Industries proposed to reduce funds available for crime victims services by \$3.5 million. To ensure victims of crime are not denied the medical services and financial assistance they may need, the department requests the return of these funds.

Current situation

As established in RCW 7.68, the Crime Victims Compensation Program helps crime victims pay for medical, dental and mental health services, limited loss of income and funeral expenses.

During its 2010 session, the Legislature put in place a temporary \$50,000 benefit ceiling. The ceiling will lapse in June 2015. Along with the ceiling, the Legislature created the Crime Victims Compensation Account. Funds (from the Inmate Betterment Account) – are transferred into this account by the Department of Corrections. The department has been advised that these funds will be reduced by \$200,000 each fiscal year – from \$2 million to \$1.8 million – during the 2015-17 biennium.

General Fund-State and federal funds comprise the remainder of the funding for this program. Beginning with the 2010 supplemental budget and each of the succeeding budgets, state general funds supporting this program have been reduced by nearly \$8 million; and since fiscal year 2011, federal funding has declined by \$2.3 million (nearly 40 percent).

Narrative Justification and Impact Statement

Proposed Solution

CVC Analysis for 15-17 Biennium			
Crime Victims' Compensation Program: Including Grants	2016	2017	Biennial
FTEs	38.5	38.5	38.5
Administration	2,801,564	2,801,564	5,603,128
Medical	5,293,000	5,243,450	\$10,536,450
Wages (TL and Pension)	2,368,000	2,368,000	4,736,000
Burial	722,000	722,000	1,444,000
Sexual Assault Exams	1,890,000	1,890,000	3,780,000
Total	\$13,074,564	\$13,025,014	\$26,099,578
General Fund - State	\$6,987,244	\$7,981,783	\$14,969,027
General Fund - Federal	4,125,298	3,500,056	7,625,354
Crime Victims Comp Acct - State	1,800,000	1,800,000	3,600,000
Total by Fund	\$12,912,542	\$13,281,839	\$26,194,381

As the analysis in the table shows, the estimated revenue and expense for the Crime Victims Compensation Program are in balance.

State General Funds comprise more than half the funding for CVC Program operations. The \$3.5 million reduction proposal represents nearly a 25 percent reduction of these funds. If the funds are not restored, the department will face a significant challenge to provide benefits for crime victims during the 2015-17 biennium.

Describe any impact on other government (local or state) programs.

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions:

Which costs and functions are one-time?

None.

Which are ongoing?

The budget restoration proposal results in ongoing impacts.

What are the budget impacts in future biennia?

This restoration proposal reestablishes crime victim benefits for future biennia.

Expenditure Calculations	FY 2014	FY 2015	TOTAL Biennium	Biennium 2015- 2017	Biennium 2017- 2019
FTEs - Direct	0.0	0.0	0.0	0.0	0.0
FTEs - Indirect	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:					
N - Grants, Benefits & Client Services	1,750,000	1,750,000	3,500,000	0	0
TOTAL Expenditures	1,750,000	1,750,000	3,500,000	0	0
Funds:					
001 - General Fund	1,750,000	1,750,000	3,500,000	0	0
Other	0	0	0	0	0
TOTAL Funds	1,750,000	1,750,000	3,500,000	0	0

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Prevailing Wage Improvements
Budget Period:	2015-17
Budget Level:	PL-P0

Agency Recommendation Summary Text

In response to rising complaints and requests from external stakeholders, L&I is requesting funding and additional staff to:

- Make it easier for contractors to comply with prevailing wage requirements on public-works projects by improving the quality and accessibility of crucial online information, prevailing wage data systems, and allowing them to pay fines online;
- Protect honest employers by expanding the agency’s ability to detect and investigate prevailing wage fraud by willful violators; and
- Increase public confidence in the accuracy of Washington’s prevailing wage rates by enhancing the verification of survey data used to establish the rates.

Fiscal Detail

Operating Expenditures	FY 2016	FY 2017	Total
Public Works, 234-1	2,466,000	2,328,000	4,794,000
Total Cost	2,466,000	2,328,000	4,794,000

Staffing	FY 2016	FY 2017	Total
All Other Funds	9.2	10.8	10.0
Total FTES	9.2	10.8	10.0

Package Description

Background

By law, workers employed on a public-works construction project must be paid equal to what most people earn doing similar work in the geographic vicinity of the project. The Department of Labor & Industries is charged with establishing and enforcing prevailing wage requirements for a wide range of occupational activities involved in these projects.

From the beginning of the contracting process through the end of a public-works project, contractors need access to information and forms from L&I to help them comply with the state’s prevailing wage law. For example:

- To develop an accurate bid, the contractor must understand the requirements and be able to determine the correct prevailing wage rates for the county in which the project is located.

- Once a contract has been awarded, a contractor must submit a “Statement of Intent to Pay Prevailing Wages” form, approved and certified by L&I, to the contracting agency before it can receive any payments.

After the project is completed, a contractor must submit an “Affidavit of Wages Paid” form, approved and certified by L&I, to the contracting agency to close out the project and, in many cases, receive final payment. Public-works projects may cost hundreds of millions of dollars. If a contractor doesn’t complete the required prevailing wage forms properly or fails to pay the correct wages, the company may be on the hook for substantial unanticipated labor costs and penalties. It could even delay the completion of the project, which could incur penalties from the contracting agency. Thus, access to clear and complete information is extremely important.

Current situation

Customers have a hard time finding information and answers

L&I provides a lot of information about prevailing wage requirements on its website. However, employers, business and labor stakeholders, and public officials have all complained that the information is difficult to find on the website, and the instructions and guidelines are often confusing. In addition, public-works contractors who owe penalties and underpaid wages cannot access that information through L&I’s website, nor can they pay their penalties online as they can for other L&I lines of business.

When frustrated customers can’t find what they need online – or can’t understand it – they call L&I. Prevailing wage customer-service staff refer about 800 calls a month to program specialists from customers who can’t find the information they need. About half the calls pertain to complex situations where information is either unclear or difficult to find online or isn’t available online. In either case, the question must be researched, documented, a decision made and an answer communicated back so the customer can pay the correct wage rate. On average, the process takes 3-4 weeks to complete, which costs the contractors time and money.

In addition to handling phone calls, the customer service staff reviews and processes more than 110,000 intents and affidavit forms each year. About 13,000 of them (nearly 12 percent) are returned to the contractors for corrections, which can cause costly delays in the life of the public-works project.

Currently, if the program wants to improve the content or functionality of the prevailing wage website and data systems, managers must temporarily reassign a program specialist (the same ones developing responses to complex situations) to serve as the program’s liaison with the technology staff – sometimes for several weeks, which reduces customer response times.

The department believes each of these problems could be reduced by revamping the organization and functionality of the prevailing wage website; plain-talking existing online content to make it easier to understand; developing and publishing information about complex questions to help customers apply the prevailing wage law correctly; adding staff to respond quicker to complex

policy questions; and creating a position to continuously research, develop and implement online improvements and data-system enhancements that benefit customers.

Questions about accuracy of prevailing wage rates

L&I establishes prevailing wage rates based on wage-and-hour surveys. The department has heard concerns from business and labor stakeholders about the validity of some of the survey data. Both stakeholders and the program would benefit from having the ability to more thoroughly verify survey data to ensure prevailing wage rates are as accurate as possible.

Enforcement capability is limited

Companies that misclassify and underpay their workers gain an unfair economic advantage over law-abiding businesses that follow the rules. Business and labor stakeholders want L&I to do more to detect and take enforcement action against companies operating in this “underground economy.”

Today, most of L&I’s enforcement occurs in response to complaints, which are investigated by field staff. A lot of data are submitted to the program on forms, each of which must be reviewed by staff to find anomalies. The current data systems don’t have the ability to target potential violations. Also, they operate almost completely separate from other L&I data systems and aren’t able to communicate with systems at other state agencies. As a result, violations could be virtually in plain sight and not be detected. With 110,000 forms being filed annually and rising stakeholder concerns about willful violators, staff could work faster and more efficiently if data systems were improved to detect possible compliance problems.

The department believes these problems can be reduced by updating the program’s computer systems to cross-match with other databases at L&I and other state agencies and by adding investigative staff to follow up on the results. This would improve the L&I’s ability to report to business and labor stakeholders on the agency’s efforts to enforce prevailing wages.

Narrative Justification and Impact Statement

Proposed solution

L&I is requesting funding and staff resources to improve its Prevailing Wage Program in three ways:

1. Rebuild the prevailing wage website based on results of user surveys and usability research, and add new interactive features that enable customers to see what they owe and to pay fines online.
2. Increase fraud detection and enforcement by enhancing electronic cross-matching technology and adding more investigators to handle the anticipated increase in enforcement workload.
3. Improve validation and verification of wage-and-hour survey data used in calculating prevailing wage rates in each county.

This budget package requests four project FTE, six permanent FTE and contractor funds, as follows:

- 1 WMS project manager to plan and manage the technology aspects of the project.
- 2 Information Technology Specialist 4's (project) to develop electronic capabilities for employers to pay their fines online and add cross-matching capability with other computer systems.
- 1 Information Technology Specialist 3 (permanent) within the Prevailing Wage Program to support the project and create permanent capacity to research, develop and coordinate continuous online and data-system improvements.
- 1 Information Technology Specialist 4 (permanent) within the Information Services Division to maintain and enhance ability to cross-match data with other computer systems to detect prevailing wage violations.
- 1 Industrial Relations Specialist 4 (permanent) to speed up responses to customers with complex questions, and to update and maintain this information on the website on an ongoing basis.
- 1 Industrial Relations Specialist 4 (project) to respond to customer experience and user interface research and create and develop policy and process explanations that are clear and understandable to customers.
- 1 Industrial Relations Agent 3 (permanent) to help develop policies and conduct complex investigations relating to complaints and investigations on employer fringe benefit plans.
- 1 Industrial Relations Agent 2 (permanent) to follow up on cross-match results showing employers that may be out of compliance. (Start date 09/2016)
- 1 Economic Analyst 2 (permanent) to validate and verify wage-and-hour survey data to effectively determine the prevailing wage rates in each county. (Start date 09/2016)
- \$240,000 in contracts to collect key customer research for improving L&I processes and enhancing usability of website content and organization. Funding will allow for user-experience surveys, Web-usability research, Web design and user-interface development.

What specific performance outcomes does the agency expect?

- Improving the quality and accessibility of online information about prevailing wage requirements would make it easier for customers to do business with L&I and reduce frustration; support voluntary compliance and reduce the risk of errors that result in unexpected wage obligations costs and penalties; reduce the amount of time L&I staff spend researching answers to complex questions.
- Adding e-commerce features will make it easier and faster for customers to see what they owe and pay their fines online.
- Increasing fraud detection and enforcement would level the playing field for law-abiding employers and protect workers by ensuring they get the wages and benefits they're owed.
- Providing reportable measures will show that the agency is working to combat wage theft in public-works projects.
- Validating the wage-and-hour survey data would instill confidence that the established prevailing wage rates are accurate and would improve timeliness of the survey schedule.

Performance measure detail

L&I does not report any performance measures to Results Washington directly related to the Prevailing Wage Program, but improved performance in this program would support the goals of Prosperous Economy and Efficient, Effective Government (customer satisfaction and customer confidence).

Is this package essential to implement one of the agency's strategic goals?

This proposal supports two of L&I's strategic goals.

- Goal 3, Make it easy to do business with L&I, and all three strategies:
 - 3.1 - Provide info and materials that customers can easily understand.
 - 3.2 - Decrease time and costs for customers.
 - 3.3 - Improve specific processes based on customer needs & expectations.
- Goal 4, Help honest workers, businesses & providers by cracking down on dishonest ones, and two of the strategies:
 - 4.1 - Improve identification of bad actions.
 - 4.3 - Decrease number of bad actions.

Does this package provide essential support to one or more [Results Washington](#) priorities?

- Goal 2, Prosperous economy: 1.2.b, reduce business time, cost and frustration with regulatory processes.
- Goal 5, Efficient, effective, accountable government: Customer Satisfaction and Customer Confidence.

What are the other important connections or impacts related to this proposal?

Business, labor and government stakeholders are likely to support this proposal. They've asked L&I to improve access to prevailing wage information; reduce the amount of time it takes to answer questions; and improve our public-works fraud detection and enforcement capacity.

Key stakeholders have questioned the validity of survey data used to determine the prevailing wages by county.

Describe any impact on other government (local or state) programs.

Adding data cross-match capabilities with other state agencies, such as Department of Revenue, Employment Security Department, Department of Licensing and Secretary of State, could nominally increase workload for them for a short time.

ESD, DOR and other agencies already have cross-match access to other L&I programs, and they would like to be able to cross-match with the prevailing wage system.

What alternatives were explored by the agency, and why was this alternative the best?

- **Do nothing:** Employer frustration with the website will continue to build; concerns about data validity would not be addressed; and fraud prevention would not improve.

- **Make improvements using existing staff:** Some of the requested improvements (e.g., technology project) are not within the scope/skillsets of existing staff. The other improvements cannot be tackled within existing capacity without causing more delays and frustration for customers for an undetermined amount of time.

For the reasons noted above, additional resources are necessary to achieve the desired improvements.

What are the consequences of adopting or not adopting this package?

Not adopting this package will result in:

- Continued delays and frustration for customers.
- Lack of confidence in the accuracy and quality of the information, and increasing pressure to eliminate prevailing wage requirements.
- Employees of non-compliant employers may be underpaid.
- Law-abiding employers face unfair competition from non-compliant businesses.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs

The costs associated with developing, testing and implementing IT systems are considered one-time costs. These costs will be incurred in fiscal years 2016, 2017 and 2018.

- 1 FTE – WMS project manager
- 2 FTE – Information Technology Specialist 4
- 1 FTE – Industrial Relation Specialist 4
- \$240,000 contractor costs

Budget impacts in future biennia:

The costs associated with maintaining the systems, providing technical and policy assistance to customers, validating wage-survey data, and investigating non-compliant contractors are ongoing costs. This includes the following:

- 1 FTE – Industrial Relations Specialist 4
- 1 FTE – Industrial Relations Agent 2 (Starts 09/2016)
- 1 FTE – Industrial Relations Agent 3
- 1 FTE – Economic Analyst 2 (Starts 09/2016)

- 1 FTE– Information Technology Specialist 3
- 1 FTE– Information Technology Specialist 4

Expenditure Calculations	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2020-2021	TOTAL
FTEs - Direct	8.0	9.4	8.7	6.5	6.0	7.1
FTEs - Indirect	1.2	1.4	1.3	0.9	0.8	1.0
Objects of Expenditure:						
A - Salary and Wages	553,000	631,000	1,184,000	793,000	732,000	2,709,000
Indirect FTE Salary	37,000	42,000	79,000	54,000	50,000	183,000
B - Employee Benefits	181,000	207,000	388,000	260,000	240,000	888,000
Indirect FTE Benefits	12,000	14,000	26,000	18,000	16,000	60,000
C - Personal Service Contracts	0	125,000	125,000	0	0	125,000
E - Goods and Services	1,597,000	1,279,000	2,876,000	313,000	296,000	3,485,000
AG Costs	0	0	0	0	0	0
G - Travel	8,000	10,000	18,000	20,000	18,000	56,000
J - Capital Outlays	78,000	20,000	98,000	0	0	98,000
TOTAL Expenditures	2,466,000	2,328,000	4,794,000	1,458,000	1,352,000	7,604,000
Funds:						
234 - Public Works	2,466,000	2,328,000	4,794,000	1,458,000	1,352,000	7,604,000
TOTAL Funds	2,466,000	2,328,000	4,794,000	1,458,000	1,504,000	7,604,000
The amount included in this decision package for indirect is:						
Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
234- Public Works	49,000	56,000	105,000	72,000	66,000	243,000
TOTAL Funds	49,000	56,000	105,000	72,000	66,000	243,000

Indirect-allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

Revenue calculations and assumptions

There is no additional revenue generated by this request.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Mobile Inspections
Budget Period:	2015-17
Budget Level:	PL-P1

Agency Recommendation Summary Text

The Department of Labor & Industries is requesting \$3.5 million from the Electrical Licensing Account to develop a modern, mobile-technology system that would increase the productivity of the department’s electrical inspectors, decrease response times in many cases, and provide inspection results to customers immediately via the Web. Once the system is built, it can be adapted easily to support other L&I inspection programs – further improving the department’s ability to support the needs of Washington’s growing economy.

Fiscal Detail

Change to Agency’ Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	8.1	8.5	8.3
TOTAL FTEs	8.1	8.5	8.3

Operating Expenditures:	FY 2016	FY 2017	TOTAL
095-1 Electrical Licensing Account	1,677,000	1,871,000	3,548,000
TOTAL Expenditures	1,677,000	1,871,000	3,548,000

Package Description

Background

At the start of each work day, the Department of Labor & Industries’ electrical inspectors download their assignments for the day, manually copy and paste the addresses for each site into an online mapping system to generate driving directions, and set off to complete their inspections. At job sites, inspectors take written notes that they later type into laptop computers in their vehicles (a laptop is too bulky to tote around most job sites). Late in the day, or perhaps the next morning, the inspectors log into L&I’s Mobile Inspection online system to transfer the day’s inspection reports; the process can take a while if all the inspectors are trying to upload at the same time.

In most cases, customers can view and download their inspection results very late in the day or, more likely, the next morning. For inspections that took place in the morning, this represents a 24-hour delay before the project can move ahead – and even longer if corrections must be made.

A few years ago, this was state-of-the art technology. Today, it’s outdated, incompatible with other systems and increasingly at risk of failure. Electrical inspectors are reporting more and more technical problems when attempting to remotely send or receive data – further decreasing productivity for them and for customers.

With construction activity increasing across Washington, L&I is already having trouble meeting the statutory requirement to perform all electrical inspections within 48 hours after receiving a request – and the inefficiency and instability of the existing technology are adding even more pressure. L&I needs a stable system that maximizes inspection productivity and delivers results to customers faster.

Current situation

More than 100 inspectors use L&I's Mobile Inspection application to record inspection activity. These inspectors performed and recorded 195,000 inspections in fiscal year 2013-14, resulting in more than 69,000 safety and other code corrections. To be more efficient, more contractors and inspectors are working remotely – going straight from home to their assigned inspections without detouring through an office. However, the field staff is reporting more and more technical problems when attempting to remotely send or receive data. This problem wastes valuable time for their customers and themselves.

The existing inspection application was implemented in 2001. Since then, L&I has upgraded the application and migrated it to newer development environments several times. Most recently, L&I had to place the Mobile Inspection application on its own virtual server due to conflicts with newer-generation applications. This has increased the maintenance costs for the hardware.

Mobile Inspection was created solely for L&I's electrical inspection program. At this point, it doesn't have the potential of adding other L&I inspection programs, such as elevator inspections, safety and hygiene inspections, etc. L&I would build the new system so it could be adapted easily to support other inspection functions in the future.

Narrative Justification and Impact Statement

Proposed solution

This proposal calls for building a new Mobile Inspection application that would increase the inspectors' productivity while also speeding up the delivery of inspection results by taking advantage of technologies now available, including geographic information systems (GIS) and mobile devices. This project would deliver the following main components.

- **Effectively plan inspection assignments.** Build a geographic information system (GIS) that would plan, route and organize an inspector's assignments. These tools would allow for real-time notifications to the inspectors and provide them flexibility to respond to customers' needs while they are on the road. For example, if a new inspection request comes in that's near an inspector's planned route on a given day, s/he could adjust to stop at that site – thereby speeding up the inspection process for the customer and using the inspector's time more efficiently.

These tools also would automate the administrative process of documenting stops made, mileage, etc. And from a safety and accountability perspective, the system would enable supervisors and other internal staff to see where L&I's inspectors are at all times, showing their routes and itineraries.

- **Complete inspections effectively on the jobsite.** Develop inspection tools that run on mobile devices, such as tablets, smartphones and laptops. Build easy-to-use checklists that allow inspectors to document inspection activities, write corrections and produce inspection reports while on the job site. The new mobile tools would enable inspectors to document and upload the results of their inspections while still onsite, so the information is quickly available for customers to access online.
- **Provide customers with real-time, accurate information about their inspections.** Customers depend on L&I's online services to get their work done. Currently, 90 percent of permits are purchased online, and 85 percent of contractors' inspection requests are submitted online. The new application would ensure that customers continue to have access to a stable, Web-based system for completing these tasks, as well as easy access to any inspection and correction reports or other comments as soon as the inspector completes the inspection – which could save a day or more in many cases. They would also be able to pay for any balance due more timely.

The proposed funding would allow the agency to purchase contracted services, hardware and licenses to complete this project. In addition, FTEs are needed for the initial development and for ongoing maintenance and operations.

Project positions

- WMS project manager to manage the project and ensure all deliverables are met on time and within budget.
- 2 ITS4 project business analysts to lead the management and implementation of customer requirements following the Business Alignment Unit's standard work process.
- 0.25 ITS6 – internal quality assurance (QA). Required by the State Office of the CIO (OCIO) to monitor and oversee complicated technology projects that are considered higher-risk.

Ongoing positions

- 2 developers – an ITS5 and an ITS4 – to provide ongoing application support for all applications, tools and processes that are developed and implemented during the project. This includes developing and implementing future business requests, conversion and upgrade activities, and day-to-day support for the inspectors using these new tools.
- 2 internal-systems support staff – an ITS5 and ITS4 – to support the GIS products, licenses and systems-administration processes for the applications being built.

What specific performance outcomes does the agency expect?

- Continue offering customers the ability to submit inspection requests and purchase permits online through a stable system.
- Improve customer satisfaction by providing inspection reports faster, thereby allowing them to complete their construction projects sooner. Customers who provide their email addresses could even have the information emailed to them, if that would be more convenient.

- The new automated trip-routing tools (instead of cutting/pasting or typing inspection addresses into a separate software application) will save time in planning and documenting (stops made, miles driven, etc.) each work day. The time savings could increase the average number of electrical inspections per inspector each day by 2 (from 10 inspections per day to 12), potentially netting an additional 200 inspections per day to customers statewide.

Performance measure detail (Results Washington performance measures)

The Mobile Inspection application is the primary tool to record inspection activity. It is essential for reaching our goal of performing 94 percent of electrical inspections within 48 hours after receiving a request.

Provide a description if this package is essential to implement one of the agency’s strategic goals (linked with the agency’s strategic plan)?

Goal 3: Make it easier to do business with L&I, by ensuring the more than 100,000 inspections conducted each year are recorded efficiently and made available to customers online in a timely manner. If the current system is not replaced, that level of customer service would not improve – and could be jeopardized.

Does this decision package provide essential support to one or more of the Governor’s [Results Washington](#) priorities?

Goal 5: Effective, efficient & accountable government (1.1 and 1.3)

What are the other important connections or impacts related to this proposal? (Stakeholder support or opposition; legal issues; audit recommendations)

Please refer to “consequences of not funding this package” below.

Describe any impact on other government (local or state) programs.

None.

What alternatives were explored by the agency, and why was this alternative the best?

1. Do nothing
 - a. Risk of system failure
 - b. Increasing connectivity and usage issues in the field
2. Buy a 3rd-party product
 - a. Product would need to be customized to meet the specific needs of our inspection program, which can be very expensive.
 - b. Costs would be significantly higher over the years due to license fees and maintenance/support costs.
 - c. Product may not interface with L&I’s existing in-house financial, permitting, and licensing systems and databases.
3. Build in-house mobile inspection tools using agency-standard technologies that would interface with agency data and systems.

- a. More cost-effective.
- b. Agency has already invested in Mobile Application development tools and infrastructure.
- c. Agency has a focus on the mobile platform, using iPads and iPhones.
- d. Supportability for future growth.
- e. No additional license fees.

What are the consequences of adopting or not adopting this package?

If the current Mobile Inspection application fails:

- Customers would experience a delay of two or more days in their inspection data being recorded. A survey of contractors indicated that delaying inspection response by more than 24 hours would increase costs for at least 41 percent of their projects. Most said this cost could be \$100 to \$500 per day.
- The inspectors would be back to recording inspections and filling out permits on paper – lengthening the turnaround time before customers can schedule the power company to connect their power.
- Only basic inspection information would be available to customers via the Web – much less than they’re used to.

To get off to a faster start each day, more and more inspectors are working directly from home, no longer coming to the office daily to get their workloads. In the event of a system failure, they wouldn’t have online access to inspection requests, site information, driving directions, or previous inspections and corrections written by others – so they would have to drive to their respective offices every day to get their assignments and any pertinent historical information, as well as leave their inspection records from the previous day. This would reduce the number of inspections completed each day.

What is the relationship, if any to the state’s capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change? (Note agency-request legislation related to this proposal)

None.

Expenditure calculations and assumptions

Which costs and functions are one-time?

The costs associated with developing, testing and implementing the mobile inspection system (a WMS project manager, part of an ITS6 and two ITS4’s) are one-time costs, to be incurred in fiscal years 2016 and 2017.

Which are ongoing?

The ongoing costs of maintaining the mobile inspection system include two ITS4’s and two ITS5’s, beginning in fiscal year 2018.

What are the budget impacts in future biennia?

There are ongoing staff and software licensing costs of approximately \$1.1 million per biennia.

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	6.9	7.3	7.1	4.0	4.0	5.0
FTEs - Indirect	1.2	1.2	1.2	0.7	0.7	0.9
Objects of Expenditure:						
A - Salary and Wages	530,000	556,000	1,086,000	602,000	602,000	2,290,000
Indirect FTE Salary	34,000	36,000	70,000	38,000	40,000	148,000
B - Employee Benefits	200,000	209,000	409,000	226,000	226,000	861,000
Indirect FTE Benefits	13,000	14,000	27,000	14,000	14,000	55,000
E - Goods and Services	805,000	1,054,000	1,859,000	184,000	194,000	2,237,000
AG Costs	0	0	0	0	0	0
G - Travel	2,000	2,000	4,000	2,000	2,000	8,000
J - Capital Outlays	93,000	0	93,000	0	0	93,000
TOTAL Expenditures	1,677,000	1,871,000	3,548,000	1,066,000	1,078,000	5,692,000
Funds:						
095 - Electrical License Acct	1,677,000	1,871,000	3,548,000	1,066,000	1,078,000	5,692,000
TOTAL Funds	1,677,000	1,871,000	3,548,000	1,066,000	1,078,000	5,692,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
095 - Electrical License Acct	47,000	50,000	97,000	52,000	52,000	201,000
TOTAL Funds	47,000	50,000	97,000	52,000	52,000	201,000

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits, and standard costs.

Revenue calculations and assumptions

There is no additional revenue generated by this request.

Agency:	235 Department of Labor and Industries
Decision Package Code/Title:	Rebuild Asbestos Certification System
Budget Period:	2015-17
Budget Level:	PL-P2

Agency Recommendation Summary Text

The Department of Labor & Industries requests an appropriation from the Asbestos Fund to add the Asbestos Program to L&I's Web-based system that's used for managing other types of contractor certification, licensing and inspections. This project would replace three separate, aging Microsoft Access databases with a modern system that further consolidates L&I's contractor management processes onto a single platform and adds new features for customers and the public. The \$796,000 cost includes 2.5 positions to complete the project in the first year of the biennium; 0.5 of these FTE would provide ongoing support.

Fiscal Detail

RCW 49.26.130(4) requires legislative appropriation to spend revenue from the Asbestos Fund. These funds may be used only for costs associated with administering and enforcing the asbestos law. The Asbestos Fund balance is sufficient to cover the costs of this project.

Change to Agency' Staff and Expenditures:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	2.9	0.6	1.8
TOTAL FTEs	2.9	0.6	1.8

Operating Expenditures:	FY 2016	FY 2017	TOTAL
03B - Asbestos Certification Account	731,000	65,000	796,000
	0	0	0
TOTAL Expenditures	731,000	65,000	796,000

Package Description

Background

In 1988, the Legislature created the Asbestos Certification and Training Program to protect public health and safety from airborne asbestos dust and particles that cause irreversible lung damage and cancer. The Department of Labor & Industries is charged with running the program. This includes issuing certifications to asbestos contractors and workers who complete the required training and conducting random inspections to verify that anyone hired to handle asbestos has an L&I certification.

Over the years, L&I has created three separate databases in Microsoft Access to handle different aspects of the program's operations.

1. The **Asbestos Certification database** produces certification cards for individuals who complete department-approved training, pass a proficiency exam and pay a fee to receive a license to work with material containing asbestos. These individuals must carry the certification card with them at all times while working with asbestos materials. Currently, certification requests and fees are transacted entirely through the mail; there is no online option to register or submit payments.
2. The **Asbestos Notification database** stores information about the scheduled dates and locations where construction work involving asbestos materials will occur. L&I uses this information to schedule workplace inspections to verify that all supervisors and workers are properly certified and that all safety and health regulations are being followed.

Construction contractors must notify L&I before undertaking any renovation or demolition project where asbestos-containing materials are present. The volume of notification records stored has grown beyond the capacity intended for Access databases, resulting in increasingly slow response times for staff to extract information. L&I risks being unable to properly identify the dates and locations of asbestos work to conduct inspections.

3. **Asbestos Cash Receipts database** ~ In 2008, an internal audit found the program was not in compliance with L&I's cash-control policies and procedures. To correct these deficiencies, a third database was developed to track asbestos licensing fees.

These databases are not connected to each other, making it very cumbersome for staff to administer the program. For example, field supervisors query the notification database to see if there are any asbestos-related jobs planned in their regions. Since the database is filled beyond design capacity, it can take a while to download the information, and the results are unreliable. The supervisors then issue inspection assignments to the field inspectors. Since the inspectors don't have direct access to the certification database, they often must contact staff in Olympia to find out if a particular contractor and workers have current asbestos licenses; the inspectors also check the L&I website to see if each contractor has a current contractor registration and has paid its workers' compensation premiums. The entire process is unnecessarily complicated and time-consuming.

From customers' perspective, the Asbestos Program offers fewer Web-based options than other L&I registration and inspection programs. Also, the Access databases are less secure and, therefore, more vulnerable to computer hacking and potential identity theft.

Fees collected from processing certifications are deposited into a dedicated fund that was established to cover the costs of administering this program. In exchange, asbestos contractors and handlers expect L&I to operate a stable system, with minimal risk of failures or intrusions that could put their livelihoods in jeopardy.

Current situation

The three databases use a very old version of Microsoft Access. Whenever L&I updates its underlying operating system, the risk of failure grows due to potential incompatibilities. The Asbestos Program has not added any features or evolved its business processes for more than 10 years to avoid risks of causing database failure.

Access is not designed for the amount of information the Asbestos Program now manages, and it's unwieldy to deal with three databases that are not interconnected. Therefore, it doesn't make sense to install a newer version of the software. If the *certification* database failed, L&I wouldn't be able to issue or renew licenses in a timely manner; contractors and workers could be refused work until they have proof of current certification; and building owners and homeowners would be at risk of entrusting their asbestos work to unqualified individuals. If the *notification* database failed, L&I would be unable to conduct timely inspections to ensure compliance with safety requirements.

The program needs an information system that supports efficient operations, conforms to L&I's technology and security protocols, and provides additional features for customers. Fortunately, L&I has already implemented such a system – called Quick Cards – for other contractor/tradesperson licensing, permitting and inspection programs. Adding the Asbestos Program to this Web-based system would be cost-effective and create a customer experience that is more consistent with L&I's other contractor programs.

Narrative Justification and Impact Statement

Proposed solution

The department would use a combination of 2 project FTE, 0.5 permanent FTE and contracted services to complete this project in one-year. The FTEs include:

- 1 project ITS5 to oversee, assign work and code the new system.
- 1 project ITS4 business analyst to document and improve the business processes.
- 0.5 permanent ITS4 application developer to code the needed features and provide ongoing maintenance.

The work would begin in July 2015 and be implemented by June 30, 2016. A detailed IT estimate is attached.

What specific performance outcomes does the agency expect?

Benefits to customers would include:

- Ensure uninterrupted service to asbestos contractors, supervisors and workers by eliminating the risks posed by the old Access software.
- Eliminate the risk of identity theft by ensuring personal information and sensitive data are secured and protected appropriately.
- Allow applicants to quickly pay their certification fees online, rather than submitting them by mail.
- Significantly decrease the time it takes for asbestos contractors to file required asbestos job notifications online and to update previously filed notices when conditions change.

Benefits to L&I would include:

- Provide a single, integrated information system that would streamline L&I's operations and could be revised easily to support the evolving needs of the Asbestos Program.
- Eliminate the risks posed by the three obsolete Access databases.
- Cut certification processing time by about half.
- Enable field supervisors to quickly view asbestos job notifications and make timely inspection assignments. Currently, this requires lengthy database searches, and some projects may be completed before L&I can plan an inspection.
- Allow field inspectors to directly access training and certification records online so they can verify individuals' credentials without funneling the requests through staff at L&I's central office. This would reduce wait times for the inspectors and free up staff time in the central office for other work.
- Automate correspondence processes through the use of templates and the department's Outbound Correspondence software.
- Give the department the ability to track a particular individual's certification through time to identify repeated violations and take appropriate enforcement action.

Performance measure detail

There is no effect on performance measures L&I provides for Results Washington.

Provide a description if this package is essential to implement one of the agency's strategic goals (linked with the agency's strategic plan)?

This proposal supports three of L&I's goals:

- 1 – Make workplaces safe.
- 3 – Make it easy to do business with L&I.
- 4 – Help honest workers, businesses & providers by cracking down on dishonest ones.

Does this decision package provide essential support to one or more of the Governor's [Results Washington](#) priorities?

Goal 2, Prosperous economy, and Goal 4, Healthy & safe communities

What are the other important connections or impacts related to this proposal?

- If L&I can't issue or renew licenses timely due to system failure, asbestos contractors, workers and trainers could be refused work until they have proof of current certification.
- If the training, certification and inspection program couldn't function properly, construction workers and building inhabitants may be exposed to harmful asbestos fibers.
- Asbestos certification fees are sufficient to cover this request. It's appropriate to use these funds to operate an efficient, stable system that asbestos workers and the public can count on.
- Construction activity is increasing as the economy recovers, and it's important for L&I to keep up with that growth by responding quickly to certification requests, conducting timely inspections, and providing stable e-commerce solutions for homeowners, asbestos workers and the public.

Describe any impact on other government (local or state) programs.

None.

What alternatives were explored by the agency, and why was this alternative the best?

- Do nothing:
 - There's too much risk of system failure and security breaches with the aging Access software.
 - Working with three separate databases is cumbersome and inefficient.
- Upgrade to the newest version of Access:
 - Access is not designed to effectively handle the amount of information the Asbestos Program now manages. The needs have changed enough that Access is no longer the appropriate technology solution.
- Add the Asbestos Program to the existing Quick Cards system:
 - The Quick Cards system already has been implemented for other L&I contractor licensing and inspection programs, so it would be relatively easy to add the Asbestos Program.
 - The system conforms to L&I's technology and security protocols; provides easy Web-based access for L&I field staff; offers online tools desired by customers, including

electronic payments; and provides the ability to automate correspondence processing and other efficiency improvements.

What are the consequences of adopting or not adopting this package?

Continued risk of system failure, identity theft, and inefficiencies in processing certifications and conducting inspections. If L&I can't issue or renew licenses timely due to system failure, asbestos handlers could be refused work until they have proof of current certification.

What is the relationship, if any to the state's capital budget?

None.

What changes would be required to existing statutes, rules or contracts, in order to implement this change?

None.

Expenditure calculations and assumptions

- One ITS 5 – Lead application developer (project position)
- One ITS 4 – Business analyst (project position)
- One 0.50 ITS 4 – Application developer for ongoing support.
- Contractor for Web development: 3,094 hours at \$94 dollars per hour = \$290,836
- Web usability testing: \$54,000

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

Development cost of \$666,000 one-time only and \$65,000 ongoing for ITS4 for maintenance.

Budget impacts in future biennia:

\$65,000 ongoing cost for 0.50 ITS4 to maintain system annually

Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
FTEs - Direct	2.5	0.5	1.5	0.5	0.5	0.8
FTEs - Indirect	0.4	0.1	0.3	0.1	0.1	0.2
Objects of Expenditure:						
A - Salary and Wages	186,000	36,000	222,000	72,000	72,000	366,000
Indirect FTE Salary	13,000	2,000	15,000	4,000	4,000	23,000
B - Employee Benefits	70,000	13,000	83,000	26,000	26,000	135,000
Indirect FTE Benefits	5,000	1,000	6,000	2,000	2,000	10,000
E - Goods and Services	424,000	13,000	437,000	26,000	26,000	489,000
AG Costs	0	0	0	0	0	0
G - Travel	1,000	0	1,000	0	0	1,000
J - Capital Outlays	32,000	0	32,000	0	0	32,000
TOTAL Expenditures	731,000	65,000	796,000	130,000	130,000	1,056,000
Funds:						
03B - Asbestos Cert Account	731,000	65,000	796,000	130,000	130,000	1,056,000
	0	0	0	0	0	0
TOTAL Funds	731,000	65,000	796,000	130,000	130,000	1,056,000

Indirect By Funds:	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
03B - Asbestos Cert	18,000	3,000	21,000	6,000	6,000	33,000
	0	0	0	0	0	0
TOTAL Funds	18,000	3,000	21,000	6,000	6,000	33,000

Indirect allocation

In addition to the direct costs estimated in this document, L&I assesses an indirect rate to cover agency-wide administrative costs. The indirect-cost charge assures that every funding source shares an equitable portion of overhead costs. L&I's indirect rate is applied on requested FTEs, salaries, benefits and standard costs.

ASBESTOS IS Impact

New Summary of estimate

	Year 1 (FY15)	Year 2 (FY16)	Total (FY15/16)
IS All Goods & Services <u>Dollars</u>	\$298,336		\$298,336
IS FTEs hours	6264		4,176

Last Estimate

	Year 1 (FY15)	Year 2 (FY16)	Total (FY15/16)
IS All Goods & Services <u>Dollars</u>		\$206,236	\$206,236
IS FTE <u>Hours</u>		5,746	5,746

Asbestos – Replace the Access Databases by enhancing the Agencies Licensing, Certification and Tracking System (QuickCards)	Work Effort Hours <u>Contract Staff</u>
Main areas of focus	
<p><u>Enhance the existing Licensing and Certification System (QuickCards)</u> to add the business requirements for processing the following types of asbestos licenses:</p> <ul style="list-style-type: none"> • Asbestos Supervisors • Asbestos Workers • Asbestos Contractors • Course Providers <p><u>Additional system modifications for these 4 new license types include:</u></p> <ul style="list-style-type: none"> • Bond and Insurance • Continuing Education (CEU) • Affidavit of work experience • Renewal, suspend, revoke and activate processes • Letters, Reports and secured email • Review contractor notifications <p><u>Migrate the data from the older access database into the new database.</u> This will include data cleanup</p>	2,194

<p><u>Develop a new Public Facing web application for Asbestos Job Notifications.</u></p> <p>This will include the following functions:</p> <ul style="list-style-type: none"> • Development of the secured, public facing website, business logic and validation rules for data entry; • Ability to add, update and amend previously submitted forms; • Notifications are tracked on the contractor licenses. This information needs to be attached to the QuickCards License record; • Track history of the forms; • Search and reporting function by region, contractor, etc; • Develop a work list for inspectors to review the notifications; • Develop abilities to send secured emails; • Migrate data into new database. 	<p>700</p>
<p><i>Total Developer work effort hours</i></p>	<p>3,094</p>

Information Services FTEs (All IS sections)												
		Implementation FTE Hours				Ongoing FTE Hours						
			Year 1	Year 2	TOTAL (FY16/17)	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
			FY16	FY17		FY18	FY19	FY20	FY21	FY22	FY23	
Classification	Role	Start/End Date	Hours by Fiscal Year									
ITS 5	Lead Application Developer	7/1/2015 6/30/2016	2088									
ITS4	Business Analyst	7/1/2015 6/30/2017	2,088		2,088							
ITS4	Application Developer DOSH application support for QuickCards and new notification website	7/1/2015 ongoing	1,044	1,044	2,088	1,044	1,044	1,044	1,044	1,044	1,044	
Totals			5220	1,044	6,264	1,044	1,044	1,044	1,044	1,044	1,044	

Information Services <u>Contractors</u> (Purchased & Personal Services)												
			Implementation <u>Hours</u>			Ongoing <u>Hours</u>						
			Year 1	Year 2	TOTAL (FY16/17)	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
			FY16	FY17		FY18	FY19	FY20	FY21	FY22	FY23	
Skill Category/Role	# of Hours	Hourly Rate	<u>Hours</u> by Fiscal Year									
Category 15 – Web Developer	3,094	\$94	\$290,836		\$290,836							
Category												
Total	\$290,836											
	Total Dollars (all years)		<u>Contract Dollars</u> by Fiscal Year									
System/Develop Contractor(s)	\$290,836		\$290,836		\$290,836							
Quality Assurance Contractor												
Other Contractors (if applicable)												
Total Dollars <u>ALL</u> Contractors	\$290,836		\$290,836		\$290,836							

Hardware/Software: Hardware purchases and/or software license purchase costs										
		Implementation Dollars			Ongoing Dollars					
		Year 1	Year 2	TOTAL (FY16/17)	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
		FY16	FY17		FY18	FY19	FY20	FY21	FY22	FY23
Item	Quantity	Dollars								
Developer workstations	1	2,500	0	2,500						
MSDN developer licenses @ 5,000 each	1	5,000	0	5,000						
Total Dollars		7,500	0	7,500						

What is the justification for the ongoing FTE's?

Application Support – Maintenance developers

With the addition of the asbestos program using QuickCards and the addition of a new website a .5 FTE will be needed to supplement the Maintenance Core team for ongoing support.

What is the justification for the equipment/licenses?

- Contractor will need a workstations and licenses for developer tools.

Why is this estimate different from the original concept paper?

- Added 700 hours for the asbestos notification web development. This portion was not included in the original estimate.
- Since all of this will be incorporated into the existing QuickCards system, the 12-month project will be managed by the core team manager.