

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Implement JLARC recommendations
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	PL-A1

### Agency Recommendation Summary Text

This proposal is in response to a 2015 report by the Joint Legislative Audit and Review Committee (JLARC) that examined Washington’s workers’ compensation claims-management processes. The committee recommended a couple of key claim-processing changes that could be pivotal in reducing long-term disability, which would save money and help employers return more injured workers to productive employment.

The Department of Labor & Industries proposes to implement the recommendations in phases, beginning with a request for \$1,009,000 million and 10.4 FTE beginning in FY 2017. Additional investment will be needed in the 2017-19 biennium to fully implement JLARC’s recommendations.

### Fiscal Detail

#### Change to Agency Staff, Expenditures and Revenue

<b>Staffing:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
996 -All Other Funds		10.4	5.2
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>10.4</b>	<b>5.2</b>

<b>Operating Expenditures:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
608 Accident Fund - State		504,000	504,000
609 Medical Aid Fund - State		505,000	505,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>1,009,000</b>	<b>1,009,000</b>

### Package Description

#### Background

In Washington, there are about 168,000 employers and 2.5 million employees who pay into the workers’ compensation State Fund, which is managed by L&I. Another 363 employers and 868,000 employees are part of the self-insured system, for which L&I has some oversight responsibilities.

In 2011, the Legislature mandated multiple reforms to Washington’s workers’ compensation system and directed JLARC to conduct a performance audit of workers’ compensation claims management at the Department of Labor & Industries (L&I). JLARC hired a consulting firm with expertise evaluating workers’ compensation programs to assist with the audit. The consultants looked mostly at claims management from FY 2010 through FY 2013.

The performance audit report generated three JLARC recommendations. Two of them were directly related to the workers’ compensation State Fund program, while the third recommendation related to the self-insured system. Accompanying the JLARC recommendations were some underlying *Opportunities for Improvement* identified by the consultant.

The complete performance audit and contractor report can be found at <http://leg.wa.gov/jlarc/reports/2015/WorkersCompPhase2/pf/default.htm>.

To summarize elements of the two recommendations involving the State Fund that would be partially addressed by this budget proposal:

**1) For claims exceeding \$5,000 in medical costs that will likely involve more than 3 days away from work, L&I should institute standards for early phone contact with injured workers and their employers.**

Experience in other states indicates that early contact with the worker and the employer promotes better case investigation; insight into claim risks and issues; relationship-building; and improved communications. It also sets expectations regarding return to work. For example: Getting employers involved early in identifying return-to-work options for injured workers can help reduce the number of workers who end up on long-term disability. Similarly, early contact with injured workers can help them gain quicker access to necessary services, which leads to faster and more successful recovery and return-to-work results.

**2) L&I should develop a plan to integrate predictive analytics into claims management processes.**

Other workers' compensation systems use mathematical and statistical models (data analytics) to help identify claims that could have long durations and high costs. If those claims are identified early, claim managers can focus their efforts and interventions to improve outcomes on the more challenging claims. L&I has started to use data analytics for early return-to-work referrals, but JLARC recommended the agency should expand its use to further improve outcomes, balance caseload and plan interventions.

### **Current Situation**

Within the State Fund system, L&I *claims managers* and *employer account managers* carry most of the work load:

- **Claims managers** are responsible for adjudicating claims. They are the primary points of contact for injured workers and providers, with responsibility for coordinating services and advancing each claim through the process. They also work with employers on many claims, particularly those that are the most complex and of long duration. L&I's claims managers currently have average caseloads of about 250 claims each. Experts in other states' systems indicate caseloads of about 140 allow claim managers to be more effective.
- **Account managers** are employers' primary points for anything related to industrial insurance. They set up accounts, help employers determine their industrial-insurance rates, and review nearly every claim to verify that there is an employee/employer relationship and to make sure the class reported by the employer is correct. They currently carry caseloads of more than 3,000 employer accounts each.

In FY 2015, about 90,000 State Fund injury claims were filed with L&I. Of these, about 73,000 were "medical-only" claims in which the workers were not entitled to time-loss benefits (e.g., losing little or no time away from work). About half of the medical-only claims can be processed without intervention by a claims manager. The roughly 17,000 remaining cases involved at least some time away from work, which made the workers eligible for time-loss benefits in addition to

medical coverage. Time-loss benefits paid out a minimum of \$21.93 and a maximum of \$175.45 per day in FY 2015 – with an average of \$72 per day.

**Contact practices at L&I**

L&I claims managers currently have a goal of contacting at least 80 percent\* of time-loss claimants within three days of the first time-loss payment. They’re also expected to contact employers about time-loss claims; but in reality, they rarely have time unless it’s necessary to adjudicate the claim.

*\* Note: Some time-loss claims don’t need an intervention because the worker returns to work quickly or, in the instance of a catastrophic injury, L&I has a separate claim-handling process that involves first-contact by staff with medical expertise.*

Despite their substantial caseloads, claims managers currently attempt first contact to injured workers on 82-83 percent of the claims within the target time period. To improve on this performance, **L&I will need additional claims managers** – especially if predictive-analytics tools eventually are able to identify potential time-loss claims prior to the worker’s entitlement to time-loss benefits.

L&I agrees it would be beneficial to ensure employers are quickly notified when an employee files a claim; how the process works; what the potential financial ramifications will be on their insurance rates; and the programs L&I offers to help employers mitigate the costs by managing the claim toward an outcome that benefits all involved. Even relatively simple time-loss claims can become long-term disability cases when employers don’t engage with the worker and provide return-to-work options.

Although JLARC recommended that early-contact calls to *both* employers and injured workers should originate from *claims managers*, the *account managers* typically are the primary contacts for employers. L&I believes the initial employer calls could be handled as effectively by account managers for claims likely to involve limited time off work.

Here again, the existing caseload is an issue. Account managers currently don’t make early-contact calls to employers unless there’s a question about the injured worker’s status with the employer. Therefore, L&I would need **additional employer account managers** to implement the JLARC recommendation.

**Comparison of Washington’s funding levels compared to other states’**

A 2014 *L&I Peer Analysis* by Conning & Company looked at the percentage of total premiums Washington spends on various administrative costs compared to those of other states with State Funds. Here are some of the differences.

	% of losses spent on underwriting <sup>1</sup>	% spent on commissions	% spent on taxes and fees
L&I	4%	0%	0%
Other state funds	27%	1%	0%
Privatized funds	50%	3%	1%
Large insurance firms w/ workers’ comp plans	54%	3%	1%
Canadian funds	13%	0%	0%
Ohio (state system similar to WA)	11%	1%	1%

<sup>1</sup> *Underwriting is a general term that encompasses the costs of assessing business risk and helping businesses to manage that risk and related claim costs. It includes the work of L&I’s account managers.*

Effective funding levels are essential to achieve the improvements recommended by JLARC. In fact, Washington currently spends so little on underwriting and loss-control activities compared to other workers' compensation systems that L&I has limited ability to help businesses control their workers' compensation costs.

### ***How additional investment could pay off***

L&I has demonstrated that investing in disability prevention saves money. As examples:

- Each \$1 invested in the Stay-at-Work Program is estimated to save about \$2.40 in savings through reduced time-loss and long-term disability costs.
- Best practices (through L&I's Centers for Occupational Health & Education, COHE) call for medical providers to make early contact with employers at least 25 percent of the time to discuss return-to-work options. This practice, among other best practices in the COHE model, has resulted in 20 percent fewer time-loss days (30 percent fewer days for low-back injuries), reduced disabilities for the workers, and saved an average of \$500 per claim in the first year.

Based on past experience, L&I believes investing in broader efforts to get employers involved earlier in the life of an injury claim would pay off – both in terms of monetary savings and in terms of helping injured workers regain their health, their livelihoods and their self-esteem.

This budget package will focus on enhancing account manager resources and predictive analytics as part of phase 1 implementation of the JLARC recommendations.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

L&I is requesting \$1,009,000 million and 9 additional positions to accomplish the following:

- Create a special group of account managers for the purpose of making direct, early contact with employers who have employees with injury claims at-risk of incurring time-loss benefits. The group would help to ensure the employers are aware that a claim has been filed, how the claims process works, and the programs and incentives L&I offers (e.g., Return-to-Work Program, Stay-at-Work Program, Preferred-Worker Program, etc.) to help employers manage their workers' compensation costs by returning injured workers to gainful employment.

To estimate the workload, L&I used medical providers' initial estimates of the number of FY 2015 claims that would require time-loss. While the number of actual time-loss claims ultimately was lower (around 17,000), L&I wouldn't know that at the "early contact" stage. Therefore, for FY 2017, the department assumes account managers would:

- Attempt about 25,000 early-contact calls<sup>1</sup> to employers per year. *(Does not include catastrophic claims, certain back/neck injury claims and firms with a claims-free discount. They automatically get early-contact calls from a claims manager or risk manager.)*
- Make contact about 70 percent of the time (17,500).
- Have extended conversations in about half (8,750) of the live contacts.
- Arrange referrals to risk managers and/or the Return-to-Work, Stay-at-Work or Preferred-Worker programs for further follow-up.

- Coordinate with claims managers on cases where predictive analytics and/or information from early contact with employers indicate the claim is at high risk for long-term disability.
- Add capacity to expand and coordinate L&I's use of predictive analytics, especially to identify claims at risk of time loss before the first time-loss claim is filed. The additional position would be responsible for organizing and integrating existing predictive models to ensure that injured workers at risk for long-term disability, as well as their employers, get the right service at the right time. Outcomes would continuously be monitored to ensure the models effectively achieve agency goals.

The 9 additional positions would include:

- 7 Industrial Insurance Underwriter 4s.
- 1 Industrial Insurance Underwriter 5 to supervise the unit.
- 1 Research Investigator 3 to provide enhanced predictive-analytics expertise.

**What specific performance outcomes does the agency expect?**

- Increased number of early contacts with employers.
- Improved awareness among employers about the claims process and L&I incentives/services to help them return an injured employee to work.
- Higher employer satisfaction with the workers' compensation system.
- Lower incidence of long-term disability among injured workers.
- Improved ability to predict which injury claims are at high risk of losing time away from work and potentially becoming long-term disabled.
- Decrease in time-loss days.
- Increased participation in the Stay-at-Work and Preferred-Worker programs.
- Increase in risk-management/consultation referrals to employers.

**Performance measure detail (Results Washington performance measures)**

- Goal 2, Prosperous-economy measure 2.2: Increase average earnings of Washington workers. Injured workers who don't quickly return to work with their employer of injury suffer higher unemployment and lower wages over their lifetimes.
- Goal 4, Healthy & safe communities measure 1.2: Decrease the percentage of adults reporting poor health. Injured workers who don't return to work experience higher levels of physical and emotional disability over time. Many are never able to return to work.
- Goal 5, Efficient, effective, accountable government measure: customer satisfaction. Many employers with injured workers say they don't recall having a conversation with L&I about return-to-work.

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

Workers' compensation is an important priority for many business and labor groups in Washington. L&I has developed an innovative strategy, supported by the recent JLARC audit, that accomplishes priorities of both business and labor. This package is part of a larger and integrated effort that will dramatically improve outcomes for injured workers and will create long-term financial stability for the workers' comp system. These outcomes are essential for the Results Washington priorities listed above.

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

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

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

- Business will probably like that this proposal is designed to engage the employer community in claims management and return to work, and it will reduce employer and overall system costs.
- Labor would like that this proposal promotes the best outcomes for workers.

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

None.

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

This budget package supports recommendations from JLARC. Due to extremely high caseloads, it is not possible to add this new workload to existing account managers without reducing other essential employer services.

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

JLARC’s recommendation to personally contact employers early in a workers’ compensation claim would not be implemented – and opportunities to reduce long-term disability among injured workers would not be realized.

**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?**

None.

**Expenditure calculations and assumptions**

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**Which costs and functions are one-time?**

None.

**Which are ongoing?**

All of the requested FTEs would be permanent.

**What are the budget effects in future biennia?**

\$1,750,000 in the 2017-19 biennium.

### Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	9.0	<b>4.5</b>	9.0	9.0	<b>7.5</b>
<b>FTEs - Indirect</b>	0.0	1.4	<b>0.7</b>	1.4	1.4	<b>1.2</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	491,000	<b>491,000</b>	982,000	982,000	<b>2,455,000</b>
Indirect FTE Salary	0	42,000	<b>42,000</b>	84,000	84,000	<b>210,000</b>
B - Employee Benefits	0	185,000	<b>185,000</b>	370,000	370,000	<b>925,000</b>
Indirect FTE Benefits	0	16,000	<b>16,000</b>	32,000	32,000	<b>80,000</b>
E - Goods and Services	0	184,000	<b>184,000</b>	278,000	278,000	<b>740,000</b>
AG Costs	0	0	<b>0</b>	0	0	<b>0</b>
G - Travel	0	2,000	<b>2,000</b>	4,000	4,000	<b>10,000</b>
J - Capital Outlays	0	89,000	<b>89,000</b>	0	0	<b>89,000</b>
<b>TOTAL Expenditures</b>	<b>0</b>	<b>1,009,000</b>	<b>1,009,000</b>	<b>1,750,000</b>	<b>1,750,000</b>	<b>4,509,000</b>
<b>Funds:</b>						
608-Accident Fund - State		504,000	<b>504,000</b>	874,000	874,000	<b>2,252,000</b>
609-Medical Aid Fund - State		505,000	<b>505,000</b>	876,000	876,000	<b>2,257,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>1,009,000</b>	<b>1,009,000</b>	<b>1,750,000</b>	<b>1,750,000</b>	<b>4,509,000</b>

The amount included in this decision package for indirect is:

<b>Indirect By Funds:</b>	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
608-Accident Fund-State	0	29,000	<b>29,000</b>	58,000	58,000	<b>145,000</b>
609-Medical Aid Fund-State	0	29,000	<b>29,000</b>	58,000	58,000	<b>145,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>58,000</b>	<b>58,000</b>	<b>116,000</b>	<b>116,000</b>	<b>290,000</b>

### Revenue calculations and assumptions

There is no additional revenue generated by this request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Safety & Health Compensation & Retention
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M1 – DS

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$4,650,000 to address the urgent need to pay competitive salaries for its occupational safety and health inspectors, consultants and technical experts. The private sector and other public agencies offer significantly higher salaries for these professions. Excessive turnover and poor retention rates have significantly reduced the level of investigative experience as well as the number of workplace inspections and voluntary consultations L&I can complete each year. The agency is seeking legislative action to quickly address this urgent situation.

### Fiscal Detail

#### Change to Agency Staff, Expenditures and Revenue

Staffing:	FY 2016	FY 2017	TOTAL
001 General Fund-State			0.0
New Fund			0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Operating Expenditures:	FY 2016	FY 2017	TOTAL
03B Asbestos Fund-State		14,000	14,000
608 Accident Fund-State		3,850,000	3,850,000
609 - Medical Aid Fund - State		786,000	786,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>4,650,000</b>	<b>4,650,000</b>

### Package Description

#### Background

The Department of Labor & Industries' (L&I) Division of Occupational Safety & Health (DOSH) administers the Washington Industrial Safety & Health Act (WISHA). This is the state's version of a federally mandated regulatory program that is monitored and partially funded by the federal Occupational Safety & Health Administration (OSHA).

DOSH has the following primary responsibilities:

1. Investigate serious workplace injuries and deaths. This includes finding and eliminating the root causes of each incident to prevent recurrences. These investigations take priority over other work by DOSH.
2. Respond to worker complaints and referrals from other authorities and the public regarding potentially hazardous conditions or practices in workplaces.
3. If time and resources are available, conduct inspections at known hazardous industries to ensure a level playing field for employers who meet the minimum safety and health requirements.

4. Offer free, voluntary safety and health consultations to employers who want to identify and correct potential workplace hazards, without fear of penalty.
5. Provide general education and information about how to prevent work-related fatalities, injuries and illnesses.

### **About industrial hygienists and safety & health specialists**

Most of DOSH's work is conducted by *industrial hygienists* (focused on hazardous-chemical safety and preventing occupational disease) and *safety & health specialists* (focused on preventing occupational deaths and injuries). The classifications differ in several ways:

- **Qualifications:** Industrial hygienists (IH) must have a master's degree in an appropriate science or engineering field as well as work experience, while safety & health specialists (SHS) can have journey-level industry-safety experience and/or similar degrees.
- **Types of industries:** SHS inspectors/consultants look at things like mechanized processes, construction, trenching, logging, cranes, high voltage or other hazardous situations that could lead to amputations, electrocutions, etc. IH inspectors/consultants look at things like chemical-processing safety, noise exposure, chemical or pesticide exposure, confined spaces, or long-term exposures that lead to cancer or permanent disease.

### **Job responsibilities have grown**

Journey-level inspectors do at least 30 percent of their work investigating and identifying root causes of worker fatalities and acute worker hospitalizations. Twenty years ago, inspectors could perform their responsibilities by documenting hazards and compiling legal files averaging 15-25 pages, including photos. These days, however, more legal requirements, more evidentiary proof, case-law changes, legislative changes and increasingly complex industrial processes have all led to extremely complex case files, now typically 80-100 pages – and many approaching 5,000 pages of evidence. Developing these files is the responsibility of the journey-level DOSH inspectors – and then they must defend these bodies of work and processes in court if employers file appeals.

Employers also have higher expectations for DOSH staff to deliver accurate safety and health advice to prevent fatalities, injuries and illnesses. Novice staff don't have this knowledge or sufficient experience to meet these expectations, which typically are acquired over time.

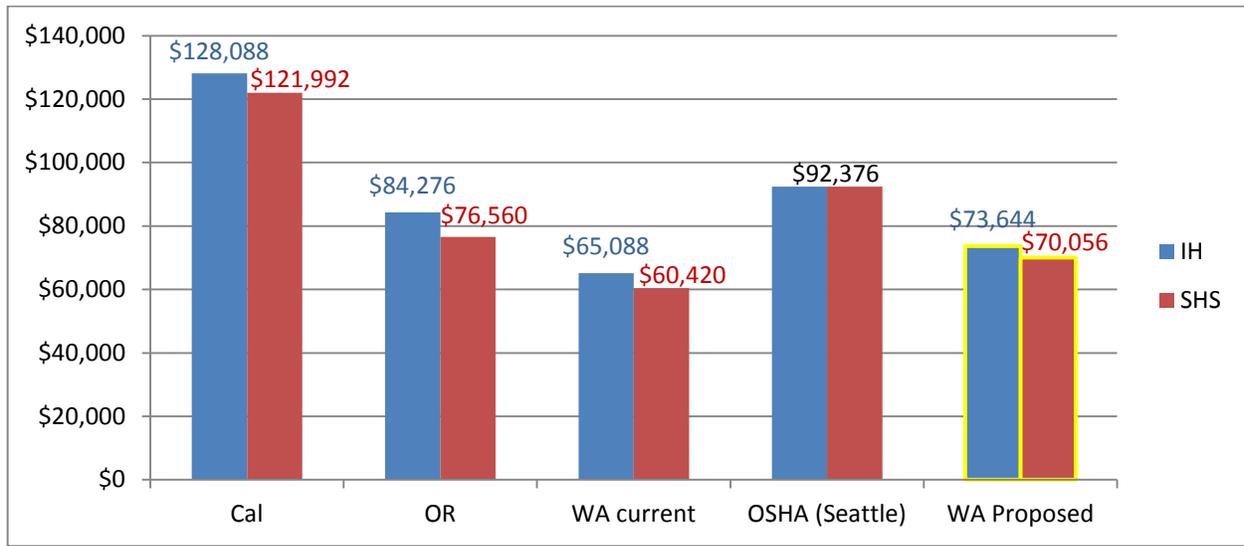
With these increases in expectations, professionally recognized certifications are the standard in the occupational safety and health profession. A Certified Safety Professional (CSP) or Certified Industrial Hygienist (CIH) has extensive education, work experience and testing in safety sciences, principles and practices. When DOSH inspectors are required to testify as expert witnesses, they tend to receive less credence from judges than witnesses with a CSP or CIH certification, especially in complex cases. Although these certifications are not required to work for DOSH, it is highly beneficial in helping L&I meet its obligations.

Certified professionals command six-figure salaries elsewhere in the private and public sectors. While some staff stay with DOSH because of their belief in the mission, the ever-widening gap makes it difficult for them to continue making this sacrifice.

### **Salary comparisons**

The top salaries paid to DOSH inspectors, consultants and their supervisors is equal to the 25<sup>th</sup> percentile or less of other safety and health professionals in Washington who have *less than five years of experience*. The following chart illustrates the salary discrepancies between California,

Oregon and the federal OSHA (in Seattle) compared to Washington’s current and proposed salary levels for its journey-level inspectors and consultants.



In February through April 2015, seven SHS employees resigned from L&I. Their tenure ranged from 1.2 years to 23 years. They all left for higher pay. Examples:

- 6.9-year employee ~ Private-sector salary of \$85,000 + \$15,000 annual bonus.
- 3.5-year employee ~ Private-sector beginning salary of \$93,000 plus bonuses.
- 1.9-year employee ~ 6-figure job at MIT.
- 1.2-year employee ~ A significant increase at Port of Seattle (amount not disclosed).

DOSH has tried to recruit broadly through nationwide forums, with little result. In some instances, potential recruits were insulted when they heard the salary range.

### **DOSH has become a training ground for other employers**

It costs DOSH at least \$250,000 over two years to train each newly hired industrial hygienist and safety & health specialist – and many of them leave for higher pay elsewhere prior to achieving journey-level production.

Having to continually recruit, hire and train new-hires reduces the number of experienced inspectors in the field. Each entry-level hire goes through about 300 hours of initial classroom instruction, attends advanced investigation and interviewing training, and receives on-the-job training from field staff for a lengthy period of time. Directing more classroom and field resources to training new-hires reduces the number of workplace inspections and consultations that can be completed. It also limits the program’s ability to provide advanced training to its experienced staff.

### **Recruitment, hiring and retention problems directly linked to low pay**

Washington’s low salary ranges for the IH and SHS series are hampering DOSH’s ability to run a high-quality occupational safety and health program. Here are some examples:

- Increasingly, DOSH must hire entry-level candidates who barely meet the minimum qualifications **and** must hire them at the journey-level classification because the entry-level salary is so far behind the industry standard.

- DOSH is not only losing long-term, experienced staff, but newly trained employees as well. Often, the higher-paying jobs they're moving to require less knowledge, skills and abilities and carry fewer responsibilities.
- The turnover rate across all IH and SHS level 2 positions is now approaching 10 percent per year, and the annual turnover for level 3 is nearly 9 percent.
- 23 percent of DOSH inspectors hired from 2012-2014 have already left L&I. For comparison, 40 percent of DOSH inspectors hired from 2008-2011 have left the agency. In other words, a large percentage of recent hires leave L&I just as they're becoming fully functional.

In exit surveys over the past six years, 48 percent of departing employees said they were leaving for higher pay elsewhere.

### **Inspections and consultations have declined**

The numbers of inspections and voluntary consultations completed annually have declined as DOSH's retention problem has grown. The percentage of targeted inspections also has decreased as more of experienced inspectors' time is redirected to training and mentoring new hires.

- Industry-list (targeted) inspections dropped by 61 percent from 2002 through 2014 – and even fewer will be completed 2015. L&I hasn't met its inspection goals since 2010.
- Voluntary safety consultations also have dropped, by about 40 percent since 2006.

At the current salary ranges, DOSH cannot hire, train and retain enough qualified personnel to meet its inspection and consultation goals. As a result, some employers requesting voluntary consultations must wait longer for service.

The constant turnover, coupled with the fact that DOSH is forced to hire employees who don't meet the minimum qualifications and train them for several years before they become fully competent, is having a profound effect on L&I's ability to meet its obligations to the employers and workers of Washington state, as well as the performance contract with the federal OSHA.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

L&I proposes to increase the salary ranges for all levels in the IH and SHS series – and to add one level to each, as follows.

### ***Industrial Hygienist series***

- IH-1 would be created as the new journey-level of the series and would conduct all levels of compliance inspections (including complex and fatalities) or consultations.
- IH-2 would change to the lead and become the technical-specialist level of the series. Using this level for technical specialists also would alleviate the current compression and inversion of our four IH-4 staff who are technical specialists, reporting to IH-4 supervisors.
- IH-3 would be used for leads and technical specialists who possess CIH credentials.
- IH-4 would be used exclusively as the supervisory level.

Classification	Current range	Proposed range	Amount increase	# of positions (current classifications)
Industrial Hygienist 1 (new journey)	--	62	--	0
Industrial Hygienist 2 (lead/tech)	52	66	41%	1
Industrial Hygienist 3 (new CIH requirement)	57	70	38%	46*
Industrial Hygienist 4 (Sup)	60	74	41%	30
<b>TOTAL</b>	--	--	--	<b>77</b>

\* Most existing personnel would be reclassified to fit appropriately within the new structure.

### ***Safety & Health Specialist series***

- SHS-1 would remain the in-training level of the series. By increasing the salary, L&I could use the level 1 for its intended purpose.
- SHS-2 would remain the journey-level and would be the goal classification from the training level. The SHS-2 would be expected to conduct all levels (including complex and fatalities) of compliance inspections or consultations.
- SHS-3 would serve as lead workers and become the technical-specialist level of the series.
- SHS-4 would change from the supervisory level and now be used for lead and technical specialists who possess CSP credentials.
- New SHS-5 would become the supervisory level of the series.

Classification	Current range	Proposed range	Amount increase	# of positions (current classifications)
Safety & Health Spec 1 (training)	42	54	34.6%	1
Safety & Health Spec 2 (journey)	51	60	24.7%	17
Safety & Health Spec 3 (lead/tech)	54	64	28%	98
Safety & Health Spec 4 (new CSP requirement)	--	68	--	47
Safety & Health Spec 5 (previously 4)	57	72	44.8%	--
<b>TOTAL</b>	--	--	--	<b>163</b>

\* Most current SHS-4s would move either up or down within the new classification structure.

### ***Effects of the classification and salary adjustments***

These salary and classification adjustments would allow full use of both series, which have been compressed over the years due to increased complexity of the work and non-competitive salaries.

Even at the proposed higher ranges, Washington's salaries for inspectors, consultants and certified specialists would continue to lag behind what other government employers offer in the region. However, adding a special level for those with a Certified Safety Professional (CSP) or Certified Industrial Hygienist (CIH) credential will provide both an opportunity and a financial incentive for lower-level inspectors and consultants to stay at L&I longer while they grow their skills.

At the current authorized staffing level, the estimated cost in FY 2017 would be \$4,650,000. Funding for the higher salaries would come from the Accident and Medical Aid Funds.

**What specific performance outcomes does the agency expect?**

- Ability to recruit and hire better-qualified candidates.
- Less turnover and longer retention of trained inspectors and consultants, which would increase productivity and improve the quality of inspections, consultations and investigations.
- Ability to complete more inspections and voluntary consultations, which would help to improve worker safety – leading to fewer injuries and deaths.
- Better job satisfaction among employees, which would further L&I’s goal of being “an employer of choice.”
- Increase the amount of advanced technical training provided to experienced staff to keep them abreast of emerging hazards.

**Performance measure detail (Results Washington performance measures)**

All of the measures under Results Washington 2.5 are potentially affected by L&I’s difficulty in hiring and retaining qualified, experienced DOSH staff.

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

This package contributes to Goal 4: Healthy and safe communities and Goal 5: Effective, efficient & accountable government.

**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 5:** Make L&I an employer of choice.

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

If L&I continues to lose journey-level DOSH inspectors and consultants, the number of work-related injuries and deaths may rise. If this proposal is approved, DOSH will be better positioned to provide important education to employers and labor about preventing worker deaths and permanent injuries.

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

Having more highly experienced staff will help other state and local programs that rely heavily on DOSH consultation resources to reduce their worker deaths, injuries and illnesses. Also, state and local workers could trust the expertise and conduct of inspections performed in their interest.

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

L&I has tried to address the salary issues with the Industrial Hygienist and Safety & Health Specialist series through the state personnel process in the past decade, without success. Actions within L&I’s purview (such as creating extensive new-hire training, hiring above the minimum step levels, and hiring at higher classifications in the series) have all been exhausted. The matter has become urgent, with worker safety on the line. We must act quickly to address the significant salary deficit for these classifications, and we believe the situation warrants legislative action.

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

If the salary deficit is not addressed:

- L&I will continue to lose qualified safety and health inspectors and consultants at even greater rates. The average tenure before new hires leave is decreasing: for example, 15 percent of those hired in 2014 left within the first 10 months.

- The quality and quantity of work will suffer as experienced staff leave and the average tenure of remaining inspectors and consultants declines.
- Progress on existing inspections and investigations will suffer if those inspectors leave the agency and other staff members have to step in to complete them.
- L&I's ability to provide advanced technical training on complex emerging serious hazards will continue to decline.
- L&I could lose federal (OSHA) authority and funding.

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

None.

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

The change in salary ranges and the new classifications definitions would need to be reflected in the state personnel system.

**Expenditure calculations and assumptions**

**Which costs and functions are one-time?**

None.

**Which are ongoing?**

All of them are ongoing.

**What are the budget effects in future biennia?**

An additional \$4,650,000 would be added, for future biennia for a total of \$9,300,000

**Expenditure calculations and assumptions**

The following assumptions were used in developing this estimate.

Position		Range/Step		Annual Salary			Annual Benefits Increase <sup>1</sup>	Total Increase (A+B)	Number of Positions	Dollar Increase Total <sup>2</sup>
Current	Proposed	Current	Proposed	Current	Proposed	Increase (A)	(B)			
IH 2	IH 1	52	62	\$57,516	\$73,644	\$16,128	\$2,989	\$19,117	1	\$19,117
IH 3	IH 2	57	66	\$65,088	\$81,264	\$16,176	\$2,993	\$19,169	42	\$805,098
IH 3	IH 3	57	70	\$65,088	\$89,712	\$24,624	\$4,555	\$29,179	4	\$116,716
IH 4	IH 4	60	74	\$70,056	\$99,024	\$28,968	\$5,359	\$34,327	8	\$274,616
IH 4	IH 2	60	66	70,056	81,264	\$11,208	2,074	\$13,282	22	\$292,204
S&H 1	S&H 1	42	54	\$44,880	\$60,420	\$15,540	\$2,875	\$18,415	1	\$18,415
S&H 2	S&H 2	51	60	\$56,136	\$70,056	\$13,920	\$2,575	\$16,495	17	\$280,415
S&H 3	S&H 3	54	64	\$60,420	\$77,340	\$16,920	\$3,130	\$20,050	96	\$1,924,800
S&H 3	S&H 4	54	68	\$60,420	\$85,380	\$24,960	\$4,618	\$29,578	2	\$59,156
S&H 4	S&H 3	57	64	65,088	77,340	\$12,252	\$2,267	\$14,519	26	\$377,494
S&H 4	S&H 5	57	72	\$65,088	\$94,272	\$29,184	\$5,399	\$34,583	21	\$726,243
								<b>Subtotal</b>		\$4,894,274
								<b>Vacancy Rate</b>	<sup>3</sup>	\$244,714
								<b>Total</b>	<sup>2</sup>	<b>\$4,649,560</b>

<sup>1</sup> Benefit increase calculated at 18.5% of salary increase.

<sup>2</sup> Total dollar increase rounded to \$4,650,000.

<sup>3</sup> 5% vacancy rate.

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>FTEs - Indirect</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	3,924,000	<b>3,924,000</b>	7,848,000	7,848,000	<b>19,620,000</b>
Indirect FTE Salary	0	0	<b>0</b>	0	0	<b>0</b>
B - Employee Benefits	0	726,000	<b>726,000</b>	1,452,000	1,452,000	<b>3,630,000</b>
Indirect FTE Benefits	0	0	<b>0</b>	0	0	<b>0</b>
E - Goods and Services	0	0	<b>0</b>	0	0	<b>0</b>
AG Costs	0	0	<b>0</b>	0	0	<b>0</b>
G - Travel	0	0	<b>0</b>	0	0	<b>0</b>
J - Capital Outlays	0	0	<b>0</b>	0	0	<b>0</b>
<b>TOTAL Expenditures</b>	<b>0</b>	<b>4,650,000</b>	<b>4,650,000</b>	<b>9,300,000</b>	<b>9,300,000</b>	<b>23,250,000</b>
<b>Funds:</b>						
03B- Asbestos Fund State		14,000	<b>14,000</b>	28,000	28,000	<b>70,000</b>
608- Accident Fund State		3,850,000	<b>3,850,000</b>	7,700,000	7,700,000	<b>19,250,000</b>
609 - Medical Aid Fund - State		786,000	<b>786,000</b>	1,572,000	1,572,000	<b>3,930,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>4,650,000</b>	<b>4,650,000</b>	<b>9,300,000</b>	<b>9,300,000</b>	<b>23,250,000</b>

#### Revenue calculations and assumptions

There is no additional revenue generated by this request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Elevator inspector salaries & retention
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M1-EV

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is having significant difficulty hiring and retaining qualified elevator and escalator inspectors and technical specialists. The salaries for this series are substantially below the wage rates for elevator mechanics and inspectors elsewhere in the state. As a result, L&I is unable to meet the statutory requirement to inspect all publicly used lifting conveyances at least once per year. The agency is requesting \$724,000 annually and authorization to increase the salary ranges for five classifications in the Elevator Program.

### Fiscal Detail

#### Change to Agency Staff, Expenditures, and Revenue

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Operating Expenditures:	FY 2016	FY 2017	TOTAL
001 General Fund-State	0	674,000	674,000
608 Accident Fund-State	0	43,000	43,000
609 Medical Aid Fund-State	0	7,000	7,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>724,000</b>	<b>724,000</b>

### Package Description

#### Background

State law (RCW 70.87.120) requires that all new, altered or relocated lifting conveyances (elevators, escalators, etc.) must be inspected before they can receive an operating permit. It also requires that all publicly used conveyances must be inspected at least once per year. Conveyances in private residences must have an operating permit (if newly installed or altered), but are exempt from annual inspections except at the owner's request.

Throughout most of Washington, inspections are conducted by the Dept. of Labor & Industries (L&I). The cities of Seattle and Spokane have authority to inspect lifting conveyances within their borders. In 2010, there were 15,505 permitted conveyances (lifts, elevators and escalators) in Washington that required an annual inspection by L&I. By 2015, the number of permitted conveyances under L&I's jurisdiction grew to 17,385 as a result of the construction boom.

Building owners are required to purchase operating permits and annual certificates for every lift, elevator and escalator they own. In addition, L&I may assess penalties for violations. The permit fees are set at a rate sufficient to cover the department's cost of administering the Elevator Program.

## **Current Situation**

### ***Staffing shortage means L&I cannot complete all required inspections***

On average, an L&I elevator inspector should be able to perform about 425 annual inspections per year. Unfortunately, L&I is having a very difficult time recruiting and retaining qualified inspectors and technical specialists. As a result, the remaining inspectors must cover larger territories to make up for the vacancies, and the additional travel has reduced the number of inspections they can complete to about 268 per inspector per year

The department places a priority on inspecting newly installed or altered conveyances, since they cannot be operated without an L&I permit. As a consequence of the recruitment and retention problem, L&I currently cannot complete all annual inspections required by law. In 2009, about 5,600 conveyances did not get an annual inspection, and that number is expected to reach more than 11,500 in 2015.

After a serious accident at the Bellevue Macy's in December 2012, the Legislature authorized five additional elevator inspector positions at L&I, bringing the total number of positions to 27. However, despite considerable effort, the department has been unable to fill all of the vacancies.

Even if fully staffed, L&I could not complete all of the required inspections. But the agency is reluctant to request additional inspectors until it can fill the existing authorized positions – and that will require higher pay.

### ***Inspectors not staying long enough to be fully trained***

It takes about three years to become a fully trained elevator inspector. From FY 2010 through FY 2015, 15 inspectors resigned; 13 of them had been with the agency for less than three years. Out of L&I's 27 inspector positions, five are currently vacant and 10 are held by employees who have been with the agency for less than three years (including five who have been in their jobs less than a year).

In recent years, L&I's candidate pools have consisted primarily of retired elevator mechanics who are looking to supplement their pensions and can afford to work at the lower state salary. They're usually not looking to start a long-term career, and some are challenged by the pace and customer-service expectations. The current pay rate isn't high enough to attract workers in the prime of their careers who might be willing to stay longer-term, develop the necessary expertise and deliver maximum productivity.

### ***Salary and workload are primary barriers to hiring, retaining qualified staff***

In a survey, Elevator Program staff said the top two reasons they would leave L&I are salaries and workload. Resignation letters from departing inspectors also frequently cite salary as a reason for leaving.

An Elevator Inspector 1 at L&I tops out at \$65,088 (range 57, step L). That same employee could make a lot more money, with a smaller workload, as an elevator mechanic through a local union or as an inspector for the City of Seattle or City of Spokane:

- L&I's elevator-inspector salary amounts to nearly 36 percent less than the average hourly wage of a journey-level elevator mechanic hired through the Portland and Seattle locals of the Elevator Constructors Union.
- L&I even pays less than a 2<sup>nd</sup>-year apprentice elevator constructor hired through the union.

- L&I inspectors earn 13 percent less than equivalent elevator inspectors at the City of Spokane (top salary of \$75,042) and 22 percent less than the City of Seattle (top salary, \$83,332).

The low pay rate isn't generating a large enough candidate pool to give L&I managers much choice in whom they hire. Ideally, the department wants to hire inspectors with the technical skills, production capacity *and* people skills necessary to provide an optimal level of customer service.

***Elevator supervisors need to be classified differently***

Currently, the two L&I positions that supervise the elevator inspectors are classified as Compliance Specialty Supervisors, the same as supervisors in other L&I inspection programs. Based on required job duties, knowledge and skills, L&I believes the elevator supervisors should have their own classification, at a higher salary range than the Compliance Specialty Supervisors.

There's also a compression issue, with the supervisors currently earning only 10 percent more than the Elevator Inspector 1 and just 5 percent more than the Elevator Inspector 2. Increasing the difference would make it more attractive for staff to strive and apply for supervisory opportunities.

***Public safety is at risk***

About 95 percent of all elevators, escalators and lifts are in locations used by workers and the general public. They are complicated machines that require proper installation and repairs to protect the safety of those who use them. L&I's inspectors exist to make sure building owners and the contractors who install, maintain and repair these devices don't take shortcuts. They're also responsible for conducting timely accident investigations and inspections involving those conveyances.

Owners are required to purchase an annual operating certificate for every lift, elevator and escalator they own – whether or not L&I completes an annual inspection. L&I's inability to complete all inspections mandated by law increases the chances of serious injury and escalates the state's exposure to legal liability if an accident occurs on a permitted, but uninspected, conveyance.

**Narrative Justification and Impact Statement**

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**Proposed solution**

- 1) Create an Elevator Supervisor classification, replacing the use of the Compliance Specialty Supervisor classification.
- 2) Increase the salary range of all five elevator-related classifications, as follows:

Class	Current Range	Proposed Range	Percentage Increase	# of positions
Elevator Assistant	51	61	28%	0
Elevator Inspector 1	57	67	28%	27
Elevator Inspector 2	59	71	34%	0
Elevator, Technical Spec	61	75	41%	2
<b>NEW: Elevator Supervisor</b>	61	75	41%	2

The total added cost, based on the current authorized staffing level, would be an estimated \$724,000 in FY 2017. The existing fee base will be sufficient to cover the additional cost.

**What specific performance outcomes does the agency expect?**

- Improved ability to recruit and retain staff for the Elevator Program.
- In turn, this would increase the agency's ability to complete all required annual inspections in a timely manner.
- With larger candidate pools, managers would have more opportunity to choose candidates who possess the correct attitude, aptitude and alignment with our mission to be successful in meeting the agency's goals.

**Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington will not be affected.

**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, **Goal 4:** Help honest businesses by cracking down on dishonest ones, and **Goal 5:** Make L&I an employer of choice.

**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 effects related to this proposal?**

When a safety deficiency is found during an inspection, customers are issued a correction notice with a set time period to fix the safety issue. This can include Red Tag Notices for major issues when the conveyance is immediately taken out of service; 10-day notices for imminent hazards; 30-day notices for safety deficiencies identified during previous inspections that have not been corrected; and 90-day notices to correct minor deficiencies. Except for conveyances that present imminent or major safety issues, L&I does not currently have the resources to follow up on 90-day notices for compliance until the next annual inspection is due. Many problems are left uncorrected for extended periods of time, increasing the risk to public safety. With the implementation of this proposal, we expect to be able to retain our current Elevator Inspectors by compensating them at a rate closer to the private sector and municipal government, as well as attract better-qualified candidates who have the required certification and possess customer-service and computer skills.

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

None.

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

There are no options. Very few qualified individuals are willing to work for L&I at the current compensation level.

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

- L&I will slip further behind in annual elevator inspections.
- The risk to workers and the public will increase.
- The liability risk for state government will increase if someone is injured by an uninspected conveyance.

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

None.

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

The change in salary ranges for these classifications would need to be reflected in the state personnel system.

**Expenditure calculations and assumptions**

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The following assumptions were used in developing this estimate.

Position	Range/Step		Annual Salary			Annual Benefits Increase* (B)	Total Increase (A+B)	Number of Positions	Dollar Increase Total**
	Current	Proposed	Current	Proposed	Increase (A)				
Elev. Insp. 1	57L	67L	\$65,088	\$83,316	\$18,228	\$3,372	\$21,600	27	\$583,200
Tech. Spec.	61L	75L	\$71,844	\$101,532	\$29,688	\$5,492	\$35,180	2	\$70,360
Supervisor	61L	75L	\$71,844	\$101,532	\$29,688	\$5,492	\$35,180	2	\$70,360
<b>Total</b>								<b>31</b>	<b>\$723,920</b>

\* benefit increase calculated at 18.5 percent of salary increase.

\*\* total dollar increase rounded to \$724,000.

**Which costs and functions are one-time?**

None.

**Which are ongoing?**

All of the proposed costs would be ongoing.

**What are the budget effects in future biennia?**

There are ongoing staff costs of approximately \$1,448,000 per biennium.

## Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	611,000	<b>611,000</b>	1,222,000	1,222,000	<b>3,055,000</b>
B - Employee Benefits	0	113,000	<b>113,000</b>	226,000	226,000	<b>565,000</b>
<b>TOTAL Expenditures</b>	<b>0</b>	<b>724,000</b>	<b>724,000</b>	<b>1,448,000</b>	<b>1,448,000</b>	<b>3,620,000</b>
<b>Funds:</b>						
001 - General Fund-State		674,000	<b>674,000</b>	1,348,000	1,348,000	<b>3,370,000</b>
608 - Accident Fund-State		43,000	<b>43,000</b>	86,000	86,000	<b>215,000</b>
609 - Medical Aid Fund-State		7,000	<b>7,000</b>	14,000	14,000	<b>35,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>724,000</b>	<b>724,000</b>	<b>1,448,000</b>	<b>1,448,000</b>	<b>3,620,000</b>

### Revenue calculations and assumptions

This proposal would not generate additional revenue.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Boiler and Electrical fees
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M2-FG

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting authority to implement a fiscal-growth fee increase to cover operating expenses for its Boiler and Electrical programs. At the current fee levels, revenues fell short of operating expenses in the Boiler Program in FY 2014 and in both programs in FY 2015. They're also projected to fall short in fiscal years 2016 and 2017 if fees are not increased. The fee increases would help ensure the programs' revenues match their expenditures; otherwise, service levels may have to be reduced.

### Fiscal Detail

#### Change to Agency Revenue

Revenue:	FY 2016	FY 2017	TOTAL
095 - Electrical Licensing Account	0	963,000	963,000
892 - Pressure Systems Safety Account	0	80,000	80,000
<b>TOTAL additional Revenue</b>	<b>0</b>	<b>1,043,000</b>	<b>1,043,000</b>

### Package Description

#### Background

L&I operates several construction-related programs that are intended to protect public safety. These include the Boiler Program (which licenses boiler inspectors and ensures that all boilers and pressure vessels in Washington are manufactured, installed and operated properly) and the Electrical Program (which licenses electricians and electrical contractors and inspects electrical installations).

The programs' fees (for inspections, permits, certifications, licenses, etc.) are expected to cover their operating costs. However, they're not indexed to automatically increase along with inflation. L&I must seek authorization even for fiscal-growth increases. The last authorized fiscal-growth increase took effect on June 30, 2012.

#### Current Situation

Revenues fell short in the Boiler Program in FY 2014 and in both programs in FY 2015. Without an increase to match the state's fiscal growth factor, revenues are projected to also fall short in FY 2016 and FY 2017.

So far, the programs have been able to sustain the shortfalls because of two key factors that created modest surpluses in their revenue flows:

- 3% salary cuts during the recession, which were later restored.
- Vacancies that took time to fill.

Expenses started to grow again after the salary cuts were restored. Other cost drivers include: Travel costs have risen as the economy picked up; higher salary, pension and healthcare costs have increased personnel expenses; and a reduction in the bond employers must pay to appeal citations has sharply increased the number of appeals, which has driven up related costs (e.g., Attorney General). Also,

during the 2013-15 biennium, the Legislature transferred \$3.4 million from the Electrical Fund to the General Fund to help balance the state's operating budget.

Taken together, these actions and expenses have altered the balance sheets for the Boiler and Electrical programs, and the deficit is not sustainable into the future. To provide timely service to customers and adequately protect public safety, the programs need fee increases to accommodate fiscal growth. **Note:** Stakeholders for both programs have indicated they support this proposal.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

L&I requests authorization to increase fees in the Boiler and Electrical programs by 4.32 percent, which is the fiscal growth factor published by OFM for FY 2017. It would generate additional annual revenue of about \$80,000 in the Boiler Program and \$963,000 in the Electrical Program.

### **What specific performance outcomes does the agency expect?**

The ability to maintain timely service to customers. The Electrical Program, in particular, is an integral part of the construction economy in Washington. If inspections or permits are delayed, projects cannot progress, which drives up costs for contractors and consumers.

### **Performance measure detail (Results Washington performance measures)**

L&I reports to Results Washington on the timeliness of electrical inspections. The fee increase supports the timely delivery of these services.

### **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.

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

**Goal 2:** Prosperous economy; **Goal 4:** Healthy & safe communities; and **Goal 5:** Efficient, Effective & Accountable Government.

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

Key stakeholders for both programs have indicated they support this proposal.

### **Describe any effect on other government (local or state) programs.** None.

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

The only alternative is to reduce services, which would increase risks to public safety and, in the case of the Electrical Program, would impede construction projects. This proposal would nominally increase costs, in line with other inflationary increases that are normal in the marketplace.

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

- Cutting electrical inspections would impede construction projects. At worst, dishonest contractors would move ahead without inspections, thus increasing risks to public and consumers.
- Cutting annual boiler inspections increases the risk that a faulty boiler will go unnoticed and explode.
- Key stakeholders of the Boiler and Electrical programs have indicated they support the proposed fee increase.

### **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?**

L&I would have to conduct rule-making to implement this change through the fee structures of the affected programs.

## **Expenditure calculations and assumptions**

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### **Which costs and functions are one-time?**

None

### **Which are ongoing?**

There are no additional staffing or other expenditures associated with this proposal.

### **What are the budget effects in future biennia?**

This proposal results in ongoing revenue impacts for future biennia.

## **Revenue Calculations and Assumptions**

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This proposal would increase annual revenues by about \$1,043,000 beginning in FY 2017. The following assumptions were used in developing this estimate.

### ***Electrical Licensing Account (fund 095)***

- Current estimate of \$22,299,000 in fee-related revenue in fiscal year 2017.
- Fiscal growth factor of 4.32 percent for fiscal year 2017.
- Additional annual revenue of approximately \$963,000 expected ( $22,299,000 \times 4.32\%$ ) beginning in fiscal year 2017.

### ***Pressure Systems Safety Account (fund 892)***

- Current estimate of \$1,843,000 in fee-related revenue in fiscal year 2017.
- Fiscal growth factor of 4.32 percent for fiscal year 2017.
- Additional annual revenue of approximately \$80,000 expected ( $1,843,000 \times 4.32\%$ ) beginning in fiscal year 2017.

**Revenue Estimates**

<b>Funds:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total BI 15-17</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total BI 17-19</b>
095-Electrical Licensing Account	0	963,000	963,000	963,000	963,000	1,926,000
892-Pressure Systems Account	0	80,000	80,000	80,000	80,000	160,000
<b>TOTAL Funds</b>	<b>0</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>2,086,000</b>

<b>Funds:</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Total BI 19-21</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Total BI 21-23</b>
095-Electrical Licensing Account	963,000	963,000	1,926,000	963,000	963,000	1,926,000
892-Pressure Systems Account	80,000	80,000	160,000	80,000	80,000	160,000
<b>TOTAL Funds</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>2,086,000</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>2,086,000</b>

<b>Funds:</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Total BI 23-25</b>	<b>TOTAL</b>		
095-Electrical Licensing Account	963,000	963,000	1,926,000	8,667,000		
892-Pressure Systems Account	80,000	80,000	160,000	720,000		
<b>TOTAL Funds</b>	<b>1,043,000</b>	<b>1,043,000</b>	<b>2,086,000</b>	<b>9,387,000</b>		

State of Washington  
Request for Fees  
2015-17 Biennium

AGENCY	Title Department of Labor & Industries
	Code 235

		Incremental Revenue Dollars in Thousands				New, Increased, Continued?	Z-Draft # (or Pending)	Is a bill required?	Name of Fee	Fee Code	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	Other Funds			Tied to Expenditure Change?	Fee Payer Position	Explanation of Change See Instructions
		FY 2016	FY 2017	FY 2016	FY 2017												FY 2016	FY 2017	FY 2016			
235	Department of Labor & Industries					Increase	n/a	no	Boiler Inspection Fees	8920									80	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Inspection Fees	6000									728	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Testing Fees	6115									29	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Application Fees	6123									175	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Continuing Education	6154									19	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Copy Fees	6156									3	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
235	Department of Labor & Industries					Increase	n/a	no	Electrical Training Schools	6162									9	Agency initiated, fee payers support the change	Methodology: Fiscal growth factor, currently 4.32% for fiscal year 2017.	
Additional Comments																						
These estimates reflect the additional revenue anticipated for each fee code, assuming a 4.32% fiscal growth factor increase and an effective date of July 1, 2016 for the fee increases.																						

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	L&I headquarters maintenance & repairs
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M2-HE

### Agency Recommendation Summary Text

The Department of Labor & Industries' headquarters building is now 23 years old, and it's starting to show wear and tear that will be expensive to fix. This proposal is to increase the building's maintenance budget by \$500,000 per year and to authorize \$353,000 in one-time funds for a pre-design study and report on how to bring the building's elevators up to code. The construction bonds for L&I's headquarters building will be paid off in October 2015, thus eliminating \$4.1 million per year in bond payments – and more than offsetting the requested increase in maintenance funds.

### Fiscal Detail

#### Change to Agency' Staff, Expenditures, and Revenue:

<b>Staffing:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
996 All other funds	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>Operating Expenditures:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
608 Accident Account - State	0	427,000	427,000
609 Medical Aid Account - State	0	426,000	426,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>853,000</b>	<b>853,000</b>

### Package Description

#### Background

The Department of Labor & Industries (L&I) headquarters building is nearly a quarter-century old. Designed to hold 1,700 employees, it will house an estimated 2,050 employees by the end of the 2015-17 biennium. Unlike headquarters offices for many other state agencies, the L&I headquarters also has a service desk that serves more than 9,000 customers per year.

While the building has been well maintained, it's at an age where it needs some expensive repairs and replacements to keep it going into the next quarter-century. The maintenance budget for this building has been around \$800,000 per biennium. However, in the past two biennia, unforeseen emergency repairs resulted in over-expenditures totaling more than \$1.6 million.

<b>Biennium</b>	<b>Allotment</b>	<b>Expenditure</b>	<b>Variance</b>
2013-15	\$880,189	\$1,332,057	(\$451,868)
2011-13	\$729,361	\$1,934,885	(\$1,205,524)
2009-11	\$749,361	\$683,727	\$65,634
2007-09	\$697,361	\$685,977	\$11,384

In the 2013-15 biennium, major projects that resulted in over-expenditures included:

- Replaced drain tile to prevent flooding at loading-dock area, \$62,188.
- Repaired the power generator and the data-center control panel (under an emergency declaration from Department of Enterprise Services) to keep them running, \$117,188.
- Replaced transfer switches so the generator automatically turns on during a power outage, \$176,344.

Major projects during the 2011-13 biennium that caused a \$1.078 million over-expenditure:

- Replaced the rotunda gutters to stop leaks from the ceiling, \$386,000.
- Electrical systems testing and repairs, \$305,000.
- Miscellaneous repairs and maintenance projects, \$387,000.

### **Current situation**

To protect the state's investment in the L&I headquarters, the annual maintenance budget should be increased to ensure that most scheduled and emergency repairs can be completed in a timely manner, without incurring over-expenditures. For example, a building assessment study in 2009 identified several needed maintenance projects that have not yet been completed due to lack of maintenance funds:

- Fix parking-lot asphalt and replace trees where roots have cracked and lifted asphalt, making walking hazardous for staff and weakening the trees, \$300,000.
- Re-seal/repair the window seals and wall joints of the north tower building, \$300,000.
- Conduct a structural investigation of the rotunda interior walls to determine why panels are shifting and buckling, and make necessary repairs (no cost estimate yet).
- Finish replacing worn carpet throughout the HQ office building, \$1.2 million.

In addition, there have been no significant upgrades of the building's six elevators (four passenger and two freight) in 23 years. The elevators lack several safety features that are required under today's building codes, and they frequently break down, causing frustration for staff working in the six-floor building. They need full modernization and related electrical, mechanical, structural and architectural work in the elevator machine room, pit, hoistways and elevator lobbies. The agency expects it will cost about \$353,000 (requested for FY 2017) to hire a contractor to scope the problem and identify the work that will need to be done (pre-design study), and an estimated \$3 million (in the 2017-19 biennium) to develop the design and complete the repairs.

The department will pay off the last of the building's construction bonds in October 2015, eliminating more than \$4.1 million per year in payments. This provides an opportunity to increase the maintenance budget to a sufficient level without increasing overall expenditures from the workers' compensation funds.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

For FY 2017:

- Increase the base maintenance budget for L&I's headquarters building by \$500,000 per year (\$1 million per biennium). This would cover the cost of most scheduled and emergency repairs. (*Major repair projects costing more than \$500,000 would still have to be submitted as a decision package.*)
- Authorize \$353,000 for pre-design work for modernizing the building's six elevators. The funding will include architectural/engineering (A/E) fees for initial pre-design reports and to develop cost estimates for upgrading the six elevators.

### **What specific performance outcomes does the agency expect?**

- Maintain or improve safety in the building.
- Maintain a high-quality work environment.
- Protect the investment in the state-owned L&I building.

### **Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington will not be affected.

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

Goal 1: Make workplaces safe. Goal 5: Make L&I an employer of choice.

### **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?**

None.

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

DES is helping with the bidding and development of the predesign work.

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

This is a state-owned building. L&I wants to remain in the building for the long-term, and it is our responsibility to maintain it.

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

Deferring maintenance and repairs could result in even higher costs in the future, and potentially create an unsafe environment or work stoppage for our employees and customers.

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

None. The expenses would be paid out of L&I's operating funds.

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

None.

## Expenditure calculations and assumptions

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### Which costs and functions are one-time?

\$353,000 for elevator pre-design work.

### Which are ongoing?

\$500,000 increase in the annual maintenance budget for the L&I headquarters building.

### What are the budget effects in future biennia?

- Approximately \$3 million in the 2017-19 budget to implement the elevator modernization plan, plus
- \$1 million per biennium increase to the base maintenance budget.

### Expenditure calculations and assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
E - Goods and Services	\$0	\$853,000	<b>\$853,000</b>	\$4,000,000	\$1,000,000	<b>\$5,853,000</b>
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$853,000</b>	<b>\$853,000</b>	<b>\$4,000,000</b>	<b>\$1,000,000</b>	<b>\$5,853,000</b>
<b>Funds:</b>						
608 Accident Account - State	\$0	\$427,000	<b>\$427,000</b>	\$2,000,000	\$500,000	<b>\$2,927,000</b>
609 Medical Aid Account -	\$0	\$426,000	<b>\$426,000</b>	\$2,000,000	\$500,000	<b>\$2,926,000</b>
<b>TOTAL Funds</b>	<b>\$0</b>	<b>\$853,000</b>	<b>\$853,000</b>	<b>\$4,000,000</b>	<b>\$1,000,000</b>	<b>\$5,853,000</b>

### Revenue calculations and assumptions

There is no additional revenue generated by this request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Relocate three L&I field offices
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M2-MD

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$1.745 million to relocate its field offices in Bremerton, Port Angeles and Yakima. The current sites have become unsatisfactory due to poor maintenance and/or safety and other problems. If funding is approved, the offices would be relocated to better space in their same locales, so customer access would be maintained – and even improved.

### Fiscal Detail

#### Change to Agency' Staff, Expenditures, and Revenue:

Staffing:	FY 2016	FY 2017	TOTAL
996 All other funds	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Operating Expenditures:	FY 2016	FY 2017	TOTAL
608 Accident Fund - State	315,000	558,000	873,000
609 Medical Aid Fund - State	315,000	557,000	872,000
<b>TOTAL Expenditures</b>	<b>630,000</b>	<b>1,115,000</b>	<b>1,745,000</b>

### Package Description

#### Background

L&I proposes to relocate its field offices in Bremerton, Port Angeles and Yakima because the current locations have become unsatisfactory due to the condition of the buildings, accessibility issues and safety concerns.

#### Current Situation

**Bremerton, \$332,000** - The field office occupies two stories of a seven-story building. The building is about 70 years old, and the landlord has allowed it to fall into disrepair, with no plans for improvements. The problems include the following:

- The elevators (original to the building) and cooling/heating (HVAC) systems are unreliable and need to be replaced, but the building owner has refused to act.
- There's a steep incline to access the parking lots 1½ blocks away, and staff and customers have slipped and fallen in icy weather. Even in good weather, the distance and the steep grade can be challenging for injured workers and other customers and staff with disabilities.
- From 2013 through mid-2015, L&I staff filed 38 incident reports about the building conditions and safety concerns. They include: poor ventilation, ant infestation, lighting issues, carpet creating trip hazards, plumbing problems, doors not locking correctly,

incidents with homeless people in the parking garage, broken glass in the parking area, and other security concerns.

- In addition, the two-story space is used inefficiently. The Office of Financial Management Facilities Oversight Group has identified the Bremerton office as a good candidate for relocation to improve space efficiency.

The Bremerton lease expired in April 2015 and was extended for one year. With 90 days' notice, the agency can end the lease without penalty.

The Legislature previously approved funding to relocate the Bremerton office during the 2013-15 biennium. However, the Department of Enterprise Services (DES) was not able to successfully negotiate a lease with the new property that was selected. DES is continuing to look for options, and L&I needs to have the funding reapproved for the 2015-17 biennium.

**Port Angeles, \$298,000** ~ Safety is the biggest concern at the Port Angeles site. The building is located adjacent to a bar and near a homeless camp, both of which create hygiene and safety problems for customers and staff. From 2013 and through mid-2015, L&I staff filed 50 incident reports related to this facility.

- Examples include bar patrons' aggressive dogs, bar fights, drunk drivers in the parking lot, drinking and drug use in the parking lot, stolen or vandalized motor-pool cars, a building break-in, dog and human excrement in the parking lot, broken beer bottles, vomit, motorcycles being ridden on the sidewalk immediately outside the front door, graffiti (tagging) on the front of the building, air quality in the building, etc.
- Recently, L&I began placing cones on the sidewalk by the front door in an attempt to create a safe zone for people entering and exiting the building.

The landlord has not responded to repeated requests to clean up or improve the safety of the premises.

The Port Angeles lease ends on April 30, 2016. In addition to providing a safer environment, L&I will look for a location that improves customer access and allows for better use of space than the current location.

**Yakima, \$1,115,000** ~ The Yakima office is housed on one floor of a 95-year-old old fruit-packing warehouse that was converted into several floors of office space. The building has a lot of character, but also requires considerable maintenance. Unfortunately, the landlord has been slow to keep basic systems functioning (HVAC, elevators, etc.), let alone update the lighting or other features to make the building more habitable for customers and staff. Examples:

- The building's one aging passenger elevator does not operate reliably, and the building owner has refused to replace it. When it's out, customers must use the stairs (if they're able) or be escorted around the building to enter through the secure staff entrance to reach the front desk. This can be difficult for injured workers or other customers with disabilities.

- The building owner recently (finally) replaced the breakdown-prone HVAC system, but by June 2015, the new one was already malfunctioning. L&I staff had to purchase fans to make the 80+ degree temperature in the office tolerable.
- The lighting control system is no longer supported by the manufacturer, the outdated windows are not energy-efficient, and employees have complained about poor air quality.
- Chronic problems with backed-up toilets, leaky plumbing fixtures and related stench.
- Recurring mice infestations, with staff finding droppings on their desks.

There also are parking and safety problems:

- L&I shares parking areas with other agencies and local businesses, located behind the building or across the busy Yakima Avenue (with no nearby crosswalk). L&I customers may use the parking lots at no charge if they can find space, although the locations aren't obvious and it's a long walk for injured workers. Most customers try to use the parking on the busy street in front of the building; however, space is limited, and there have been incidents of customers' car doors and side mirrors being hit.
- There have been vehicle break-ins, theft and vandalism. Employees have been assaulted on the sidewalk; stalkers have followed staff and lingered in or near the 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.

Lastly, the Yakima office is cramped and unable to accommodate additional L&I staff as the workload grows. This, in turn, affects the speed and quality of customer service.

The lease expires in August 2017. L&I would like find an alternative location in the Yakima area that offers better safety, customer access and operational efficiencies.

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## **Narrative Justification and Impact Statement**

### **Proposed Solution**

With funding approval, L&I would work with the Department of Enterprise Services to identify more suitable office space for the Bremerton, Port Angeles and Yakima field offices within their current communities. Selection criteria would include safety, accessibility, space-use efficiency and the overall quality of the buildings for serving customers.

### **What specific performance outcomes does the agency expect?**

- Improved satisfaction for customers and staff, as measured by surveys.
- Better space-use efficiency, as defined by the Department of Enterprise Services.

### **Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington will not be affected.

### **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 5:** Make L&I an employer of choice.

**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?**

- L&I customers and employees support moving the Yakima field office to improve accessibility and safety. It's possible that some officials would express a preference for maintaining an L&I presence downtown.
- In all three cases, the moves will need to be clearly communicated to customers to minimize confusion about how and where to get L&I 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?**

In all three cases, the building owners have been unwilling to make essential improvements – despite repeated requests. Relocation is necessary to resolve the problems we're experiencing.

As an added bonus, relocation provides an opportunity to improve the work-flow design and efficiency of the work spaces.

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

Customers and L&I employees would continue to be subjected to poor office conditions, accessibility barriers and safety issues.

**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**

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**Which costs and functions are one-time?**

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

**Which are ongoing?**

There would be ongoing lease costs, whether or not the offices are relocated.

**What are the budget impacts in future biennia?**

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

## Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
E - Goods and Services	473,000	527,000	<b>1,000,000</b>	0	0	<b>1,000,000</b>
J - Capital Outlays	157,000	588,000	<b>745,000</b>	0	0	<b>745,000</b>
<b>TOTAL Expenditures</b>	<b>630,000</b>	<b>1,115,000</b>	<b>1,745,000</b>	<b>0</b>	<b>0</b>	<b>1,745,000</b>
<b>Funds:</b>						
608 Accident Fund-State	315,000	558,000	<b>873,000</b>	0	0	<b>873,000</b>
609 Medical Aid Fund-State	315,000	557,000	<b>872,000</b>	0	0	<b>872,000</b>
<b>TOTAL Funds</b>	<b>630,000</b>	<b>1,115,000</b>	<b>1,745,000</b>	<b>0</b>	<b>0</b>	<b>1,745,000</b>

### Revenue calculations and assumptions

There is no additional revenue generated by this request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Best Practices for Reducing Disability
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M1-RD

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$738,000 and 3.7 FTE in FY 2017 to respond to a recent JLARC audit report that calls for further expanding the use of evidence-based best practices that help to reduce disability among injured workers and save workers' compensation funds. Earlier investments have helped to reduce injured-worker disability by up to 30 percent when providers adopted current best practices. Under this proposal, L&I would be able to implement additional evidence-based best practices and expand the use of provider incentives to use best practices.

### Fiscal Detail

Operating Expenditures	FY2016	FY2017	Total
Medical Aid Fund, 609-1	\$0	\$738,000	\$738,000
<b>Total Cost</b>	<b>\$0</b>	<b>\$738,000</b>	<b>\$738,000</b>

Staffing	FY16	FY17	Total
General Fund-State, 001-1			0
All Other Funds			3.7
<b>Total</b>	<b>0</b>	<b>3.7</b>	<b>3.7</b>

### 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 healthcare generally).

Medical providers who use evidence-based, proven occupational-health best practices reduce disability among their patients. The workers' compensation reforms passed in 2011 created a state mandate to expand these best practices, and they've already gotten good results. For example:

- As called for in the 2011 legislation, L&I has successfully expanded its Centers for Occupational Health & Education (COHEs) throughout nearly all of the state. (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.)
- L&I's evidence-based treatment guidelines and best practices have gotten great results, such as:
  - A [study](http://www.lni.wa.gov/ClaimsIns/Providers/ProjResearchComm/EvidenceBased/Outcomes/default.asp) (<http://www.lni.wa.gov/ClaimsIns/Providers/ProjResearchComm/EvidenceBased/Outcomes/default.asp>) 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.
- A 50 percent decline in unintentional opioid poisoning deaths among injured workers from 2007 through 2012, and a 70 percent decline from 2007 (17 cases) to 2013 (5 cases). 2014 data aren’t final yet.
- New opioid guidance 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. For example, the percentage of claims that received opioids within 6-12 weeks of injury went from 4.9 percent to 1 percent for the first quarter of 2015.
- 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 – as illustrated in this table.

So far, L&I has used ad-hoc staff assignments to fulfill the legislative requirement to use evidence and data to improve medical treatment of injured workers and to remove healthcare providers who harm or present a risk of harm to injured workers. **There are no staff dedicated to these legislative mandates, so progress is slow.**

### **Current situation**

Despite the successes to date, L&I has not yet had capacity to create a best-practices network (called a Top Tier network) for providers who cannot – or choose not to – join a COHE. The department also has reached its capacity to identify and implement additional best practices.

A performance audit issued in 2015 by the Joint Legislative Audit and Review Committee (JLARC) highlighted the need for additional progress in these areas. While the 2015 JLARC audit team complemented L&I’s leadership in evidence-based standards, it also concluded that L&I needs to rapidly expand and enforce its best practices:

*Clinicians that substantially and frequently deviate from standard practices place a tremendous burden on the system... L&I reports that the Medical Provider Network has been an effective tool for L&I to remove many of these clinicians with standards. Recently, L&I has begun using data on chronically poor performance. In addition, L&I reports that it is using a data-driven analysis to identify those clinicians who have a pattern of low-quality care that results in harm or risk of harm, as defined by rule, and currently is analyzing data on repeat surgical rates and opioid overprescribing.*

### **Major Observations**

- *More timely medical management interventions and vocational rehabilitation services could improve overall claim outcomes for both workers and employers.*
- *L&I has several other initiatives in planning or early stages, such as incentives for “Top Tier” providers to demonstrate best practices in occupational medicine, qualifying providers to be in the approved Medical Provider Network, based on performance, and further enhancements to COHEs. These all have great promise for improving outcomes and should be vigorously pursued.*

### ***Electronic system to track best practices***

L&I's Occupational Health Management System (OHMS) is a computer system that supports provider collaboration, best-practice tracking and reporting. 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. The first two participating providers are now exchanging data electronically without the need for data entry. Additional providers are now requesting this efficient service – but L&I does not have the resources to help set up and connect them to OHMS.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

To address JLARC's call to expand the use of best practices, L&I proposes to add 3 positions and contract dollars as follows:

- 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: 1 to implement and maintain the criteria, standards and enrollment of providers into a Top Tier network, and 1 for support and maintenance of converting emerging best-practice pilots into value-based purchasing programs.
- \$500,000 (\$300,000 in FY 17 and \$200,000 in FY 18) in contract funds to continue adding providers to the OHMS system – enabling them to directly exchange health information and support additional clinical data needs.

### **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 having 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**

- Goal 2, Prosperous-economy measure 2.2: Increase average earnings of Washington workers. Injured workers who don't quickly return to work with their employer of injury suffer higher unemployment and lower wages over their lifetimes.
- Goal 4, Healthy & safe communities measure 1.2: Decrease the percentage of adults reporting poor health. Injured workers who don't return to work experience higher levels of physical and emotional disability over time. Many are never able to return to work.
- Goal 5, Efficient, effective, accountable government measure: customer satisfaction. Many employers with injured workers say they don't recall having a conversation with L&I about return-to-work.

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

Workers' compensation is an important priority for many stakeholder groups in Washington. L&I has demonstrated significant success in reducing worker disability and related workers'

compensation costs through more-effective medical practices. This package would enable the agency to continue implementing these reforms, many of which were mandated by the state Legislature.

**Is this package 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, and Goal 3: Make it easy to do business with L&I.

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

- This proposal aligns with and implements key strategies related to high-quality purchasing and reducing chronic disability, as described 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 effect 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 mandates 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**

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**Which costs and functions are one-time?**

The following are one-time costs:

- The OHMS funding.
- Start-up costs for new FTE.

**Which are ongoing?**

All other costs are ongoing.

**What are the budget effects in future biennia?**

Ongoing costs of approximately \$986,000 in the 2017-19 biennium.

### Expenditure calculations and assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>		3.0	<b>1.5</b>	3.0	3.0	<b>2.5</b>
<b>FTEs - Indirect</b>		0.7	<b>0.4</b>	0.7	0.7	<b>0.6</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages		229,000	<b>229,000</b>	458,000	458,000	<b>1,145,000</b>
Indirect FTE Salary		22,000	<b>22,000</b>	44,000	44,000	<b>110,000</b>
B - Employee Benefits		86,000	<b>86,000</b>	172,000	172,000	<b>430,000</b>
Indirect FTE Benefits		8,000	<b>8,000</b>	16,000	16,000	<b>40,000</b>
C - Contracts		300,000	<b>300,000</b>	200,000		<b>500,000</b>
E - Goods and Services		62,000	<b>62,000</b>	94,000	94,000	<b>250,000</b>
AG Costs			<b>0</b>			<b>0</b>
G - Travel		1,000	<b>1,000</b>	2,000	2,000	<b>5,000</b>
J - Capital Outlays		30,000	<b>30,000</b>			<b>30,000</b>
<b>TOTAL Expenditures</b>		<b>738,000</b>	<b>738,000</b>	<b>986,000</b>	<b>786,000</b>	<b>2,510,000</b>
<b>Funds:</b>						
608 - Accident Account			<b>0</b>			<b>0</b>
609 - Med Aid Account		738,000	<b>738,000</b>	986,000	786,000	<b>2,510,000</b>
<b>TOTAL Funds</b>		<b>738,000</b>	<b>738,000</b>	<b>986,000</b>	<b>786,000</b>	<b>2,510,000</b>
<b>Indirect By Funds:</b>						
	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
609 - Medical Aid Account	0	30,000	<b>30,000</b>	30,000	30,000	<b>90,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>90,000</b>

### 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.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Technical corrections
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M2-TC

### Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting funding to correct two omissions in the 2015-17 operating budget:

- \$3.376 million for legal services provided by the Attorney General’s Office. The funds would correct a technical error in the 2015-17 biennial budget. Additionally, the costs for legal services are realigned to reflect actual expenditures by fund, primarily the Public Works Account and the Accident and Medical Aid Accounts.
- \$140,000 to implement E2SSB 5993, as adopted in 2015. This funding would enable the agency to implement the bill as directed.

### Fiscal Detail

#### Change to Agency Staff, Expenditures and Revenue

Staffing	FY 2016	FY 2017	TOTAL
996 All other funds	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Funds:</b>			
234-1 Public Works Administration	(10,000)	(150,000)	<b>(160,000)</b>
608-1 Accident Account - State	838,000	839,000	<b>1,677,000</b>
609-1 Medical Aid Account - State	999,000	1,000,000	<b>1,999,000</b>
<b>TOTAL Funds</b>	<b>1,827,000</b>	<b>1,689,000</b>	<b>3,516,000</b>

### Package Description

#### Background

**E2SSB 5993 implementation** ~ The state’s prevailing-wage law is designed to protect workers’ wages and benefits. It sets a minimum hourly rate of wages, benefits and overtime that contractors must pay workers on public projects. This ensures workers receive a standard rate of wages and benefits established for the same work in their localities. It also ensures all contractors competing for public-works projects pay their workers the same wage rate.

Prevailing-wage rates are determined by the Department of Labor & Industries (L&I). The agency uses surveys, scope-of-work descriptions, letters of determination, intents and affidavits, and certified payrolls to make these determinations for each county in the state. Currently, wage surveys are conducted on paper through the mail – and the response rate often is very low. Employers have asked for an electronic option instead.

## **Current situation**

**AGO legal services** ~ L&I needs to address the following legal-services funding issues in the 2016 supplemental budget. Due to a technical error that occurred in the 2013-15 operating budget, L&I's legal-services base budget was underfunded by \$3.376 million. The House corrected the error in its 2015-17 budget proposal, but it wasn't captured in the final budget bill. This decision package seeks to correct the error to ensure L&I has enough money appropriated to pay for its agreed portion of AGO base funding.

**E2SSB 5993**, adopted in 2015, requires L&I to give employers the option of completing wage surveys electronically. At the time, the department submitted a fiscal note describing the necessary Web-development work and related costs to implement the legislation. However, the funding was not included in the final biennial budget. This budget request would correct that omission.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

#### **AGO legal services**

- \$3.376 million to correct a technical error in the biennial operating budget by increasing L&I's appropriation to cover its agreed share of the base budget for the Attorney General's Office.

**E2SSB 5993 implementation** ~ Provide L&I with \$140,000 to implement E2SSB 5993, as described in the bill's fiscal note. The funding is needed to develop a fillable form on L&I's website to allow survey participants to complete and submit their surveys. The system also would include features enabling L&I staff to electronically extract and process the data for analysis – replacing the largely manual process that exists currently.

### **What specific performance outcomes does the agency expect?**

- Ensure that L&I's legal-services budget is funded at the agreed level.
- Agency legal services allocations are fairly and equitably distributed to reflect actual expenditures.
- Improved employer satisfaction and an increased response rate, which could result in more accurate prevailing-wage rates. Also, more efficient processing and analysis of survey data.

### **Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington would not be affected.

### **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, Goal 4: Protect honest employers, workers and providers by cracking down on dishonest ones.

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

Goal 2: Prosperous economy, and Goal 5: Effective, efficient & accountable government

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

Public-works contractors want an easier option for submitting required wage surveys, as E2SSB 5993 intended. Without the funding, L&I will be unable to implement the bill, resulting in ongoing frustration.

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

- The AG’s Office could be affected if our legal-services budget isn’t enough to cover the agreed level of service.
- The availability of electronic wage surveys may result in higher participation rates by employers and more-accurate prevailing-wage rates. It’s not clear whether this might result in higher or lower wage rates, which could affect the costs of the projects.

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

Regarding AGO legal services: The only alternatives are to curtail/delay AGO work.

Without the requested funding, L&I cannot implement E2SSB5993.

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

- If the technical error to L&I’s base legal-services budget isn’t corrected, L&I would have to curtail or delay legal activities.
- Without the requested funding, L&I cannot implement E2SSB5993.

**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**

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**Which costs and functions are one-time?**

- \$140,000 to implement E2SSB 5993.

**Which are ongoing?**

- \$3.376 million restoration to the AGO legal-services base budget.

**What are the budget effects in future biennia?**

It ensures L&I has the appropriation needed to pay for AGO legal support.

**Expenditure calculations and assumptions**

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	0.0	<b>0.0</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
E - Goods and Services	1,827,000	1,689,000	<b>3,516,000</b>	3,376,000	3,376,000	<b>10,268,000</b>
<b>TOTAL Expenditures</b>	<b>1,827,000</b>	<b>1,689,000</b>	<b>3,516,000</b>	<b>3,376,000</b>	<b>3,376,000</b>	<b>10,268,000</b>
<b>Funds:</b>						
234-1 Public Works Administration	(10,000)	(150,000)	<b>(160,000)</b>	(300,000)	(300,000)	<b>(760,000)</b>
608-1 Accident Account - State	838,000	839,000	<b>1,677,000</b>	1,677,000	1,677,000	<b>5,031,000</b>
609-1 Medical Aid Account - State	999,000	1,000,000	<b>1,999,000</b>	1,999,000	1,999,000	<b>5,997,000</b>
<b>TOTAL Funds</b>	<b>1,827,000</b>	<b>1,689,000</b>	<b>3,516,000</b>	<b>3,376,000</b>	<b>3,376,000</b>	<b>10,268,000</b>

**Revenue calculations and assumptions**

No additional revenue is generated by this request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Prevailing-wage technology
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	PL-A2

## Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$1,130,000 in FY 2017 to begin a one-year project to expand the Web-based customer-service features and back-end functionality of the Prevailing Wage Program's computer system. This project would build upon the successes of the program's 2013-15 improvement project by adding more options requested by customers and by providing additional automation that would save time for L&I's customers and staff.

## Fiscal Detail

### Change to Agency Staff, Expenditures and Revenue

Staffing:	FY 2016	FY 2017	TOTAL
996-All other funds	0.0	1.2	1.2
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>
Operating Expenditures:	FY 2016	FY 2017	TOTAL
234 Public Works Administration-State	0	1,130,000	1,130,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>1,130,000</b>	<b>1,130,000</b>

## Package Description

### Background

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

L&I has three primary customers for this program:

- **Employers** need access to information and forms from L&I to help them develop accurate bids and comply with the prevailing-wage law throughout a project. They must submit Intents (Statement of Intent to Pay Prevailing Wages) and Affidavit (Affidavit of Wages Paid) forms at the beginning and end of each project for L&I approval in order to get paid. They also must submit certified payroll records to L&I, if requested.
- **Government agencies** (federal, state and local) need to know whether their contractors' Intents and Affidavit forms have been file and approved. Otherwise, the agencies cannot issue initial, interim or final payments to the contractors. The agencies also need access to information about their contractors' (or potential contractors') compliance history.
- **Workers and labor unions** need access to information about the prevailing-wage rates, employers' compliance records, notices of (project) completion and other information.

For many years, these were labor-intensive, paperwork-intensive, phone-intensive processes that moved slowly. The paperwork challenges caused public-works projects to be delayed; resulted in

debarred contractors being awarded contracts they shouldn't have received; and made it difficult for contractors and public-works agencies to comply with requirements.

In FY 2014, the Legislature approved the first budget installment (\$925,000) aimed at improving the Prevailing Wage Program's computer system. Through that project, L&I implemented a number of upgrades that increased the electronic transmission of records and made more information available online. The project was completed on time – and the agency was able to deliver even more improvements than originally planned with the limited funding.

### **Current Situation**

The 2013-15 improvements – implemented in June 2015 – have been very well received by customers. Usability testing with a sampling of contractors estimated that, prior to the system upgrades, employers faced an administrative cost of about \$517 per public-works project. After the upgrades, that burden was reduced to about \$467 per project – a reduction of about 9.6 percent.

That was a good start, but additional improvements are needed to bring the system into the 21<sup>st</sup> century. For example:

- Contractors are able to create and submit their intent and affidavit forms (about 10,000 per month) online – but they're not able to electronically monitor whether their subcontractors have filed their intents, affidavits or certified payroll records (when required). The contractors can't get paid if their subcontractors are out of compliance, so they end up calling L&I to find out the status of their subcontractors.
- Contractors are now able to hand-key their certified payroll records into L&I's online system, which is an improvement over the former paper-only system. But hand-keying carries the risk of errors and remains labor-intensive for the employers. L&I wants to develop enhancements that allow employers to directly upload their electronic payroll records (e.g., QuickBooks) to L&I, and enable L&I to electronically export payroll-related reports in response to requests.
- Public-works agencies appreciate that they can now see online whether a contractor's intents and affidavits have been approved by L&I. However, the system is not yet able to show any other status, such as *not received*, *under review* or *rejected*. This omission means the agencies have to call L&I to get a full status report.

**The next round of proposed improvements would benefit all three main customer groups, as well as the State Auditor's Office and L&I.**

- ***Contractors***
  - Create a contractor portal that gives contractors a one-stop location to access general prevailing-wage information as well as transact business for their account.
  - Enable contractors to verify whether their subcontractors have filed their intents and affidavits, submitted their certified payrolls (when required), have an active industrial-insurance account and have a current contractor's license.
  - Enable contractors to submit their certified payrolls in bulk, rather than manually entering each employee.
- ***Public-works agencies*** ~ Enhance the awarding-agency portal to add the following features:
  - Ability to validate whether a contractor is a "qualified bidder" (e.g., no debarments for wage violations).

- Expand the intents and affidavits status page to include more than just “approved.” This feature would enable them to see when it was submitted and if any corrections are needed – and it would reduce the number of phone calls to L&I for status checks on forms.
  - Secured messaging between the awarding agencies and L&I.
  - Ability for awarding agencies to submit their “Notices of Completion” to L&I electronically, eliminating hand re-entry of the information into an outdated system. L&I estimates this will save approximately 25% of an FTE that can be redirected to reviewing contracts and reducing release times.
  - Enable public agencies to see their previously submitted Notices of Completion and their history of submissions online.
- ***L&I***
    - Develop certified payroll reports that are exportable.
    - Better integrate systems to improve and speed up L&I’s review and release process (and improve compliance by contractors) and to further reduce paper-intensive processes. L&I anticipates this will result in quicker reviews, accurate compliance checks and more timely release of final contract payments (retainage).
  - ***State Auditor’s Office***
    - Create State Auditor’s Office access to information for auditing and verifying compliance of awarding agencies.
  - ***Workers, unions and the public***
    - Add contractor strike/debarment data to the Contractor Look-Up function on L&I’s public website that helps consumers avoid hiring shady contractors.

## **Narrative Justification and Impact Statement**

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### **Proposed solution**

L&I is requesting funding in FY 2017 to begin a one-year project to complete the upgrades listed above. The project would cost \$1,130,000 in FY 17 for:

- One temporary WMS-2 to manage the overall project.
- 10,650 contractor hours for programming.

Funding would come from the Public Works Account (fund 234), which has enough money to cover this budget request.

### **What specific performance outcomes does the agency expect?**

- Less paperwork and fewer phone calls will result in quicker turnaround to start and close-out public-works projects.
- Fewer mistakes in awarding and closing out public-works contracts.
- Better compliance by contractors.
- Happier customers!
- L&I staff could spend less time processing paper and answering basic questions – and more time detecting and following up on violations.

### **Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington will not be affected.

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

**Goal 3:** Make it easier to do business with L&I, and **Goal 4:** Help honest workers and businesses by cracking down on dishonest ones.

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

This would not affect any of L&I’s Results Washington reports, but generally supports Goals 2 (Prosperous economy) and Goal 5 (Effective, efficient & accountable government)

**What are the other important connections or effects related to this proposal?** None.

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

Public-works agencies would benefit greatly from easier access to information and status reports involving contractors’ compliance with prevailing-wage requirements. They would be less likely to award contracts to ineligible contractors; projects could be started quicker; and final payments could be issued faster.

Thanks to the new transportation package adopted in 2015, L&I anticipates an upsurge in transportation projects in the coming years. The improvements envisioned in this budget request would help to streamline the contracting process and project oversight.

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

Rather than requesting funding to complete all necessary upgrades at once, L&I has taken a phased approach. Phase 1 was completed in the 2013-15 biennium, and primarily benefited contractors. This FY 2017 proposal represents the second and final phase to streamline the cumbersome prevailing-wage processes by further improving access for contractors, adding features desired by other customer groups, and improving efficiency for L&I.

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

- There would still be excessive manual processes that are cumbersome for employers – and potentially result in costly errors. Contractors would continue to have a difficult time spotting when their subcontractors are out of compliance with prevailing wage, worker’s comp or contractor licensing laws, which creates significant financial risk.
- Public-works agencies would remain at heightened risk of issuing contracts to ineligible contractors. Confusion over the status of intents and affidavit forms also would continue to delay the start and final close-out of contracts. They would continue to request and maintain huge amounts of paper records on public-works projects for future audits by the State Auditor’s office.
- L&I would continue to manage more paperwork and more “status report” phone calls than necessary.
- Workers and the public would continue to have a difficult time identifying when contractors with a history of violations are on public jobsites. Important information about contractors on public-works jobs would continue to be difficult to find and access, making it hard to see where there may be problems..

**What is the relationship, if any, to the state’s capital budget?** None.

**What changes would be required to existing laws, rules or contracts in order to implement this change?** None.

## Expenditure calculations and assumptions

### Which costs and functions are one-time?

Since the nature of this proposal focuses on completing a technology enhancement project, all costs are considered one-time, to be completed during fiscal year 2017.

### Which are ongoing?

None are ongoing.

### What are the budget effects in future biennia?

None.

## Expenditure Calculations and Assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	1.0	<b>0.5</b>	0.0	0.0	<b>0.2</b>
<b>FTEs - Indirect</b>	0.0	0.2	<b>0.1</b>	0.0	0.0	<b>0.0</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	94,000	<b>94,000</b>	0	0	<b>94,000</b>
Indirect FTE Salary	0	7,000	<b>7,000</b>	0	0	<b>7,000</b>
B - Employee Benefits	0	35,000	<b>35,000</b>	0	0	<b>35,000</b>
Indirect FTE Benefits	0	3,000	<b>3,000</b>	0	0	<b>3,000</b>
E - Goods and Services	0	981,000	<b>981,000</b>	0	0	<b>981,000</b>
G - Travel	0	0	<b>0</b>	0	0	<b>0</b>
J - Capital Outlays	0	10,000	<b>10,000</b>	0	0	<b>10,000</b>
<b>TOTAL Expenditures</b>	<b>0</b>	<b>1,130,000</b>	<b>1,130,000</b>	<b>0</b>	<b>0</b>	<b>1,130,000</b>
<b>Funds:</b>						
234 - Public Works Admin (Direct)	0	1,120,000	<b>1,120,000</b>	0	0	<b>1,120,000</b>
234 - Public Works Admin (Indirect)	0	10,000	<b>10,000</b>	0	0	<b>10,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>1,130,000</b>	<b>1,130,000</b>	<b>0</b>	<b>0</b>	<b>1,130,000</b>

### 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.

# Information Technology Addendum

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**Recsum Code and Title:** Prevailing-wage technology (PL-FA)  
**Brief Description:** This investment will enhance the Prevailing Wage electronic form submittals and create an electronic certified payroll report system.

If this investment includes the use of servers, do you plan to use the state data center?

Yes     No, waiver received     No, waiver not received     Does not apply

**Business Transformation** – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

*Business process improvement:* Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.

(INTENT: Incent agencies to take transformative projects that may include risk.)

The FY2015 supplemental funding provided to enhance the Prevailing Wage electronic form submittals and create an electronic certified payroll report system also yielded significant improvement beyond the initial scope for Awarding Agencies. The resulting Awarding Agency Portal created significant features that allow them to be more efficient and effective when ensuring compliance on public works projects. Our research and customer feedback tell us that prime contractors on public works projects need these same features. Providing them access to these tools will aid in overall compliance, reduce their administrative burden and save them time and money. As these features are developed and refined for our customers they can also be replicated for interested parties, the public and others interested in enhanced compliance and a system that is as transparent as possible.

In addition, when an awarding agency submits the *Notice of Completion (NOC)* through their portal, L&I will receive the data electronically; eliminating hand re-entry of the information into an outdated system. We estimate this will save approximately 25% of an FTE that can be redirected to reviewing contracts and reducing release times. Also, integrated systems will allow for cross-validation of contractors for compliance with prevailing wage and workers' compensation laws. We anticipate this will result in quicker reviews, accurate compliance checks, and more timely release of retainage.

*Risk mitigation:* Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.

(INTENT: Drive business value by encouraging risk taking that is well managed.)

This package is a phase 2 of the FY 2015 – enhancement to the Prevailing Wage systems. A significant amount of development and automation was accomplished in the first year. This request is to enhance the systems that were built as part of the initial project. This phase will not introduce any new technologies and will follow existing agency Architecture.

***Customer-facing value:*** Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

**(INTENT: Drive agencies to producing value more quickly and incrementally.)**

A significant amount of Usability, User research and User interface design was completed in FY 2015. Our research and customer feedback tell us that prime contractors on public works projects need these same features as awarding agencies. Providing them access to these tools will aid in overall compliance, reduce their administrative burden and save them time and money. Since the majority of this work was completed, any future work will be completed by existing LNI FTE’s.

***Open data:*** New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies.

**(INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)**

There are no new datasets identified as part of this package. The effort to load Prevailing Wage datasets to data.wa.gov is underway as a separate work effort.

***Transparency/accountability:*** Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated?

(2) Are performance outcomes identified, quantified and measurable?

**(INTENT: Award more points for better project and outcome performance measures.)**

(1) Are the goals articulated?

**The next round of proposed improvements would benefit three main customer groups, as well as the State Auditor’s Office and L&I. The enhancements will include:**

***1. Contractors***

- Create a contractor portal that gives contractors a one-stop location to access general prevailing-wage information as well as transact business for their account.
- Enable contractors to verify whether their subcontractors have filed their intents and affidavits, submitted their certified payrolls (when required), have an active industrial-insurance account and have a current contractor’s license.
- Enable contractors to submit their certified payrolls in bulk, rather than manually entering each employee.

**2. *Public-works agencies*** ~ Enhance the awarding-agency portal to add the following features:

- Ability to validate whether a contractor is a “qualified bidder” (e.g., no debarments for wage violations).
- Expand the intents and affidavits status page to include more than just “approved.” This feature would enable them to see when it was submitted and if any corrections are needed – and it would reduce the number of phone calls to L&I for status checks on forms.
- Secured messaging between the awarding agencies and L&I.
- Ability for awarding agencies to submit their “Notices of Completion” to L&I electronically, eliminating hand re-entry of the information into an outdated system. L&I estimates this will save approximately 25% of an FTE that can be redirected to reviewing contracts and reducing release times.
- Enable public agencies to see their previously submitted Notices of Completion and their history of submissions online.

**3. *Workers, unions and the public***

- Add contractor strike/debarment data to the Contractor Look-Up function on L&I’s public website that helps consumers avoid hiring shady contractors.

***L&I***

- Develop certified payroll reports that are exportable.
- Better integrate systems to improve and speed up L&I’s review and release process (and improve compliance by contractors) and to further reduce paper-intensive processes. L&I anticipates this will result in quicker reviews, accurate compliance checks and more timely release of final contract payments (retainage).

***State Auditor’s Office***

- Create State Auditor’s Office access to information for auditing and verifying compliance of awarding agencies.

**(2) - Are performance outcomes identified, quantified and measurable?**

- Less paperwork and fewer phone calls will result in quicker turnaround to start and close-out public-works projects.
- Fewer mistakes in awarding and closing out public-works contracts.
- Better compliance by contractors.
- Happier customers!
- L&I staff could spend less time processing paper and answering basic questions – and more time detecting and following up on violations.

**Technology Strategy Alignment** – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

**Security:** Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency.

(INTENT: Award additional points to projects where intent is to improve the security across an agency.)

During the FY 2015 project, we implemented Multi-factor authentication for the prevailing wage applications. We will continue with this two-step authentication to ensure data security.

**Modernization of state government:** Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy.

(INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

These are enhancements to existing applications. We will not be replacing any “legacy” systems.

**Mobility:** New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce.

(INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

We will build out and test our new enhancements following agency standards following adaptive design principals.

**Interoperability:** Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

Since this is a 12-month project, we will deliver new functionality in iterations. We will implement deliverables within the first 6-months.

**Financial** – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

**Captures new or unrealized revenue:** This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

This initiative does not capture revenue, but rather reduces costs, aids in compliance and provides a service to three major customer groups {(1) contractors, (2) public-works agencies and (3) workers, unions and the public} as well as the State Auditor’s Office and L&I.

***Reduces costs:*** This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

This initiative reduces cost by awarding agencies to submit their “Notices of Completion” to L&I electronically, eliminating hand re-entry of the information into an outdated system. L&I estimates this will save approximately 25% of an FTE that can be redirected to reviewing contracts and reducing release times.

***Leverages federal/grant funding:*** This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

Funding would come from the Public Works Account (fund 234), which has enough money to cover this budget request.

<b>Agency:</b>	235 Department of Labor and Industries
<b>Decision Package Code/Title:</b>	Wage-complaint workload increase
<b>Budget Period:</b>	2015-17
<b>Budget Level:</b>	M1-ES

## Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting \$451,000 to add capacity to accommodate an increased volume of complaints about possible wage theft. The additional staffing would enable L&I to complete investigations faster, bringing resolution for both workers and employers.

## Fiscal Detail

### Change to Agency Staff, Expenditures and Revenue

<b>Staffing:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
996 - All other funds	0.0	4.6	4.6
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>4.6</b>	<b>4.6</b>
<hr/>			
<b>Operating Expenditures:</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>TOTAL</b>
608 Accident Fund-State	0	383,000	383,000
609 Medical Aid Fund-State	0	68,000	68,000
<b>TOTAL Expenditures</b>	<b>0</b>	<b>451,000</b>	<b>451,000</b>

## Package Description

### Background

Under the Wage Payment Act of 2006 (RCW 49.48.083), workers or their representatives may file complaints with L&I if they believe they're not receiving the wages they're owed. The law requires L&I to investigate and resolve all wage complaints within 60 days.

Most investigations are resolved at the local level in L&I's field offices. However, if an employer disputes or is unable to pay wages owed, the case goes to L&I's central office, which investigates further and prepares the final decision – either a “notice of violation” or a “determination of compliance” – for the program manager's signature. If wages are owed, the collections staff works to collect from the employer, then the payments staff distributes the funds to the affected workers.

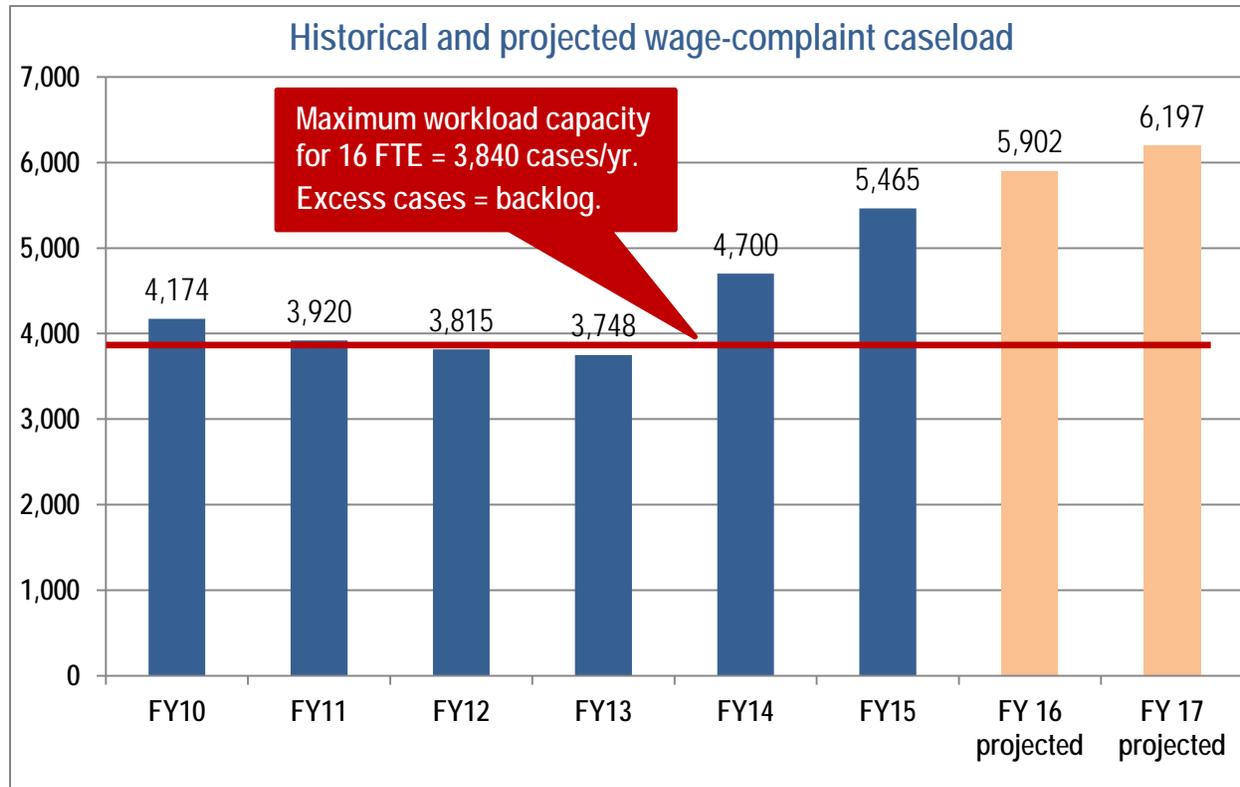
Initially, wage complaints had to be filed on paper. But a few years ago, L&I created an online submittal tool, and the number of complaints quickly skyrocketed. Today, more than 60 percent of complaints are filed online, and both the number and overall percentage are growing.

In recent years, the backlog has reached as high as 500 cases. In early 2015, L&I assigned temporary resources to address a backlog of more than 400 cases, shrinking it to under 100 for the first time in quite a while. But temporary resources are no longer available, and the backlog is likely to climb again if permanent positions aren't added.

### Current Situation

After online complaint-filing was made available, wage complaints skyrocketed from fewer than 3,000 per year in the early years of the program to about 5,400 in FY 2015. L&I's current staffing

level can reasonably handle a caseload of about 3,840 complaints per year. Thus, at current staffing levels, with the current complaint volume, L&I can close out only about 60 percent of wage investigations within the required 60 days. Three of the integral functions – investigating agents, citations desk and collections office – are beyond maximum capacity.



L&I is planning to make some changes to the online complaint system (within current budget) to improve efficiency. But even with those improvements, L&I needs additional staff to investigate and resolve wage complaints and to collect and pay owed wages. The most urgent needs are in investigating complaints and issuing citations (e.g., employer billing) in order to meet the 60-day statutory deadline for completing investigations.

To fully manage the existing volume (not counting additional growth) in a timely manner, the program has an estimated need for six additional FTE. However, L&I will recommend a smaller initial investment of four FTE beginning in FY 2017.

## Narrative Justification and Impact Statement

### Proposed solution

L&I is requesting \$451,000 and 4 FTE in FY 2017:

- Three Industrial Relations Agent-2s to conduct investigations (in addition to 16 existing agents). Data indicate each agent can feasibly close 20 cases per month.
- One Industrial Relations Agent-3 to process the increase in citations and determinations of compliance and to handle financial transactions.

If the number of complaints continues to grow, L&I will have to request additional staffing in the next biennium.

**What specific performance outcomes does the agency expect?**

- More investigations being completed on time.
- Faster resolution benefits both workers and employers by getting the case completed and allowing both to move on.
- For complaints showing wages are owed, workers will benefit financially.
- A more level playing field for honest employers.

**Performance measure detail (Results Washington performance measures)**

The performance measures L&I reports to Results Washington will not be affected.

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

**Goal 3:** Make it easier to do business with L&I.

**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 effects related to this proposal?**

None.

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

None.

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

L&I will make changes to its online wage-complaint tool that should make the process a little more efficient, but it won't be enough to completely offset the growing workload.

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

- L&I could fall further behind in resolving wage complaints, and workers would wait longer to get the wages they're owed.

**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?**

None.

## **Expenditure calculations and assumptions**

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**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 effects in future biennia?**

There are ongoing staff costs of approximately \$784,000 per biennium.

## Expenditure calculations and assumptions

	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
<b>FTEs - Direct</b>	0.0	4.0	<b>2.0</b>	4.0	4.0	<b>3.3</b>
<b>FTEs - Indirect</b>	0.0	0.6	<b>0.3</b>	0.6	0.6	<b>0.5</b>
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	218,000	<b>218,000</b>	436,000	436,000	<b>1,090,000</b>
Indirect FTE Salary	0	18,000	<b>18,000</b>	36,000	36,000	<b>90,000</b>
B - Employee Benefits	0	82,000	<b>82,000</b>	164,000	164,000	<b>410,000</b>
Indirect FTE Benefits	0	7,000	<b>7,000</b>	14,000	14,000	<b>35,000</b>
E - Goods and Services	0	82,000	<b>82,000</b>	124,000	124,000	<b>330,000</b>
G - Travel	0	5,000	<b>5,000</b>	10,000	10,000	<b>25,000</b>
J - Capital Outlays	0	39,000	<b>39,000</b>	0	0	<b>39,000</b>
<b>TOTAL Expenditures</b>	<b>0</b>	<b>451,000</b>	<b>451,000</b>	<b>784,000</b>	<b>784,000</b>	<b>2,019,000</b>
<b>Funds:</b>						
608-Accident Fund-State		383,000	<b>383,000</b>	668,000	668,000	<b>1,719,000</b>
609-Medical Aid Fund-State		68,000	<b>68,000</b>	116,000	116,000	<b>300,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>451,000</b>	<b>451,000</b>	<b>784,000</b>	<b>784,000</b>	<b>2,019,000</b>
<b>Indirect By Funds:</b>						
	FY 2016	FY 2017	TOTAL Biennium	Biennium 2017-2019	Biennium 2019-2021	TOTAL
608-Accident Fund-State	0	21,000	<b>21,000</b>	42,000	42,000	<b>105,000</b>
609-Medical Aid Fund-State	0	4,000	<b>4,000</b>	8,000	8,000	<b>20,000</b>
<b>TOTAL Funds</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>	<b>50,000</b>	<b>50,000</b>	<b>125,000</b>

### 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.