

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M1-EW, Electrical Inspection Workload

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting to hire additional electrical inspection personnel to keep up with growth in the construction industry and meet the requirement in state law to complete all electrical inspections within 48 hours of receiving a request.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
095-1: Electrical Licensing Acct	\$1,878,000	\$2,357,000	\$2,327,000	\$2,327,000
Total Cost	\$1,878,000	\$2,357,000	\$2,327,000	\$2,327,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	13.3	19.1	19.1	19.1
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$922,000	\$1,324,000	\$1,324,000	\$1,324,000
B-Employee Benefits	\$356,000	\$511,000	\$511,000	\$511,000
E-Goods & Services	\$293,000	\$315,000	\$305,000	\$305,000
G-Travel	\$130,000	\$187,000	\$187,000	\$187,000
J-Capital Outlays	\$177,000	\$20,000	\$0	\$0
Total	\$1,878,000	\$2,357,000	\$2,327,000	\$2,327,000

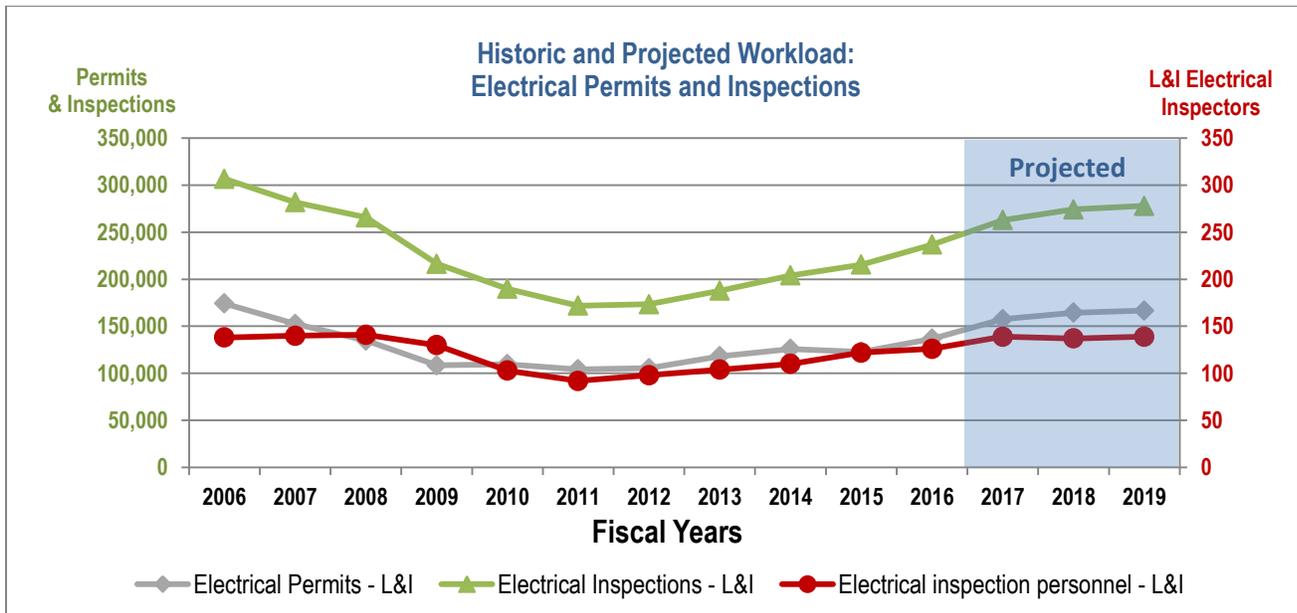
Package Description

L&I's Electrical Program is closely tied to the health of the state's construction industry. By law, L&I is required to perform all electrical inspections within 48 hours of receiving a request. When the construction industry is booming, permit sales and inspection requests shoot up; and when the industry busts, as it did in the Great Recession, permits and inspections plummet.

During the recession, L&I's Electrical Program shrank substantially in response to the reduced construction workload. The program currently has 122 allotted electrical inspection positions (includes inspectors, leads and supervisors), down from a pre-recession peak of 144. In the past five years, electrical permit sales have increased 31 percent, and the number of electrical inspections has grown by about 38 percent. Over the next three years, they're projected to grow by another 22 percent and 17 percent, respectively. With the industry booming again, the Electrical Program needs to once again ramp up its staffing to meet the demand – or risk being a drag on the economic recovery.

At the current level of inspectors, the program's ability to meet the 48-hour inspection requirement is continuing a downward slide – slipping to 90 percent in FY16. During peak summer months, the percentage drops below 80 percent in some parts of the state. The June 2016 housing-permit forecast indicates the inspection and compliance workload will continue to increase as the construction industry expands.

The following graph shows how the electrical inspection staffing has not kept pace with workload growth – especially inspection requests – in recent years.



What we're requesting

L&I is requesting 18 additional electrical positions (16.2 FTE), to be phased in over the 2017-19 biennium as the workload grows.

	FY 2018		FY 2019	Total positions
	July 2017	January 2018	July 2018	
Electrical trainer	1			1
Electrical inspectors	8	7	2	17
TOTAL	9	7	2	18

Request reflects anticipated productivity increase ~ In 2017, L&I will begin deploying new “mobile inspection” technology that should streamline some of the inspectors’ administrative tasks and increase the number of inspections they can complete. This budget proposal builds in an assumption that the average number of electrical inspections will increase from 1,895 per FTE in FY 2016 to 2,000 inspections per FTE for FY 2018. It’s possible that productivity will be even higher once the inspectors are fully trained in the new technology (and any bugs worked out).

Funding for the Electrical Program comes from a dedicated account that is supported by fees for electrical permits, licenses and certifications, as well as penalties. L&I has authority to increase electrical fees annually based on a fiscal growth factor calculated by OFM. This budget request for additional personnel can be accommodated within that anticipated revenue stream without seeking a higher fee increase from the Legislature.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

Electrical Inspector Field Staff		
	FTE	Dollars
15-17 biennium	122	\$28,734,532

Electrical Inspector Field Staff – This is where the additional 17 Electrical Inspector positions will be deployed.

Electrical Central Office		
	FTE	Dollars
15-17 biennium	30.2	\$8,520,801

Electrical Central Office - This is where the additional Electrical Trainer position will be needed.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

Based on the Washington State Economic & Revenue Forecast report of housing permit data, L&I compared housing permit sales to electrical permit sales and found a correlation with the data¹. Based on this information, L&I calculated a projected increase in electrical permit sales and required electrical inspections for fiscal years 2018 and 2019.

Based on economic forecasts, the estimated number of electrical inspections will increase 11 percent in FY2017, an additional 4 percent in FY2018 and another 1 percent in FY2019. This table shows actual inspections performed in FY2006 through FY2016 and forecasted inspections for FY2017 through FY2019.

Fiscal Year	Number of Electrical Inspections	% Change from Prior Year
2006	306,592	
2007	281,800	-8%
2008	265,600	-6%
2009	216,300	-19%
2010	189,800	-12%
2011	171,800	-9%
2012	173,400	1%
2013	187,820	8%
2014	203,983	9%
2015	215,397	6%
2016	236,827	10%
2017*	262,732	11%
2018*	274,100	4%
2019*	277,890	1%

Forecast based on correlation between forecasted housing permit sales (Economic Forecast Council, June 2016) and electrical permit sales, inspection requests and inspections performed.

Assuming the average electrical inspector can complete 2,000 electrical inspections per year in FY2018, 137 inspector staff will be needed to complete the forecast of 274,100 inspections. L&I currently has 122 inspectors, leads and supervisors. Therefore, based on the forecasted electrical inspections, L&I will require an additional 15 electrical inspectors in FY2018 and two more electrical inspectors in FY2019.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Ability to keep up with the anticipated increase in electrical permits and inspections – aiming to meet the statutory requirement of completing inspections within 48 hours of a request.
- Goal 5: Employer of choice – Workload is one of the top two concerns voiced by L&I electrical inspectors, and it hampers our ability to hire and retain high-quality personnel. Adding more electrical inspectors will help to alleviate the workload strain and make L&I a more attractive place for them to work.

¹ Economic and Revenue Forecast Council, *Economic Forecast, Fiscal Year Summary Tables*. June 15, 2016.

Performance measure detail (Results Washington):

Electrical inspections within 24 hours.

Electrical inspections within 48 hours.

Fully describe and quantify expected effects on state residents and specific populations served.

Property owners and contractors depend on L&I to complete electrical inspections in a timely manner so their projects can stay on schedule. Delays cost them money and hinder the state’s economy. Once filled, these positions would help L&I keep up with the projected growth in required electrical inspections and related compliance work.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	Yes	Identify: Without additional electrical personnel, local construction projects could be delayed, which is costly for property owners and contractors. Delays may cause some property owners to move ahead without inspections, which could pose a safety risk to tenants/inhabitants.
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	Yes	Identify: These positions are based in field offices and spend most of their time conducting on-site inspections. The program will employ Modern Workplace features (shared workspace/touchdown stations, etc.) to minimize the need for additional work stations.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	Yes	Identify: L&I has authority to increase electrical fees annually based on a fiscal growth factor calculated by OFM. This budget request can be accommodated within that anticipated revenue stream without seeking a higher fee increase from the Legislature.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General’s Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

See notes in the table above.

What alternatives were explored by the agency, and why was this option chosen?

- L&I has experimented with performing some simple electrical inspections via Skype video links. However, the majority of electrical installations require on-site visits by electrical inspectors.
- The agency has used some vacancy savings to hire program specialists to handle many “administrivia” tasks – such as scheduling inspections, arranging access to buildings, tracking performance data, training/coaching new staff on administrative procedures, etc. – allowing the inspectors to focus on completing inspections.
- The department is developing new “mobile inspection” technology to increase efficiency and productivity by inspectors. Initial deployment is scheduled to begin in 2017. The size of this decision package reflects an assumption there will be some improved productivity (number of inspections per FTE) as inspectors become familiar with the new technology. However, the technology improvements alone cannot offset all of the current and anticipated workload growth; more personnel are needed.

What are the consequences of not funding this request?

Without the positions:

- The rate of inspections completed within the 48-hour statutory requirement will continue to drop.
- Construction projects will be delayed, costing time and money for contractors and property owners – and making them very unhappy.
- There’s increased risk that homeowners or other property owners would move ahead without an inspection, thus putting lives at jeopardy.

How has or can the agency address the issue or need in its current appropriation level?

Due to sub-standard compensation for L&I electrical personnel, it has been difficult to hire and retain personnel to fill electrical vacancies. As an interim measure, some field offices have been allowed to hire a few temporary inspectors when additional qualified personnel became available – essentially taking advantage of other regions’ inability to fill vacancies. This has helped some areas to improve their response times while others continue to struggle. Ultimately, in order to hire and retain enough inspectors to meet the response times required in state law, the program needs to both increase compensation as well as increase the overall number of inspectors.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M1-WP, Workplace Safety and Health

Budget Period: 2017-19 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is requesting \$2.7 million to maintain its ability to investigate workplace accidents and to reverse a steep decline in the number of inspections and consultations aimed at preventing workplace injuries and deaths. Without additional personnel, Washington could lose its ranking as one of the safest states in which to work.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$815,000	\$1,520,000	\$2,448,000	\$3,243,000
609-1: Med Aid Fund	\$145,000	\$267,000	\$432,000	\$573,000
Total Cost	\$960,000	\$1,787,000	\$2,880,000	\$3,816,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	7.4	14.9	24.4	32.9
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$486,000	\$950,000	\$1,559,000	\$2,093,000
B-Employee Benefits	\$187,000	\$367,000	\$602,000	\$808,000
C-Contracts	\$0	\$0	\$0	\$0
E-Goods & Services	\$167,000	\$290,000	\$455,000	\$593,000
G-Travel	\$50,000	\$101,000	\$165,000	\$223,000
J-Capital Outlays	\$70,000	\$79,000	\$99,000	\$99,000
Total	\$960,000	\$1,787,000	\$2,880,000	\$3,816,000

Package Description

L&I's Division of Occupational Safety & Health (DOSH) is this 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, including finding and helping employers eliminate the root causes of each incident to prevent recurrences. By law, the investigations must be completed within six months after the injury or death, so they take priority over other work by DOSH.
2. Inspect workplaces in response 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 "preventive" 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.

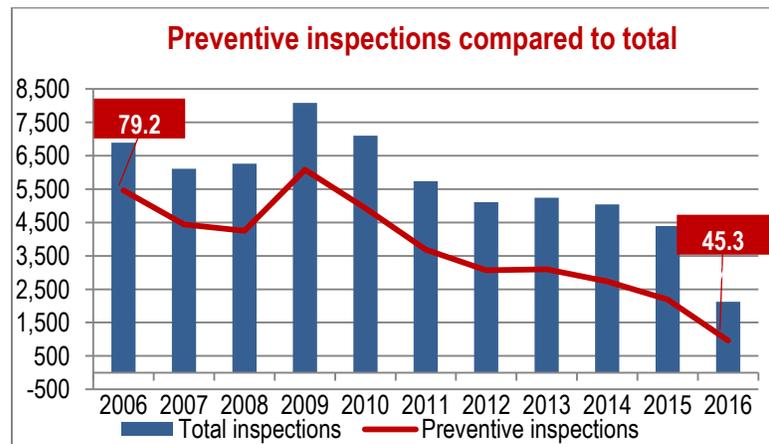
- Provide general education and information about how to prevent work-related fatalities, injuries and illnesses.

Scientific data indicate that employers who receive DOSH inspections or voluntary consultations have lower incidence of workers' compensation claims, which suggests those workplaces are safer. Overall, Washington had the ninth-lowest rate of workplace fatalities in 2014 (*2015 rankings not available yet*).

The number of DOSH inspectors and consultants began to decline even before the recession and has since flattened out. Meanwhile, the economy has largely rebounded, and the number of employers (*from Employment Security Department data*) has expanded beyond even the pre-recession levels.

Consequently, DOSH has been forced to redirect FTE away from preventive inspections and voluntary consultations to ensure that mandatory investigations and inspections (driven by hospitalizations, fatalities and complaints) are completed. Currently:

- No preventive inspections are being conducted in some areas of the state. In King County, the current staffing level is unable to cover all of the mandatory investigations and inspections. Employees are being redeployed from other programs and locations to help fill the gaps, leaving those other areas short-handed as well.
- As shown in this table, total inspections have declined significantly – and the percentage of total inspections that are preventive inspections has fallen as well.



- Looked at another way, preventive inspections have declined to less than 1 percent of Washington employers, compared to 3.3 percent at the highest point in 2002. As a result, many workplace hazards are likely going unnoticed. This not only puts more workers at risk of injury or death, but also potentially increases workers' compensation costs.

What we're requesting

DOSH needs to add personnel to meet its investigation, inspection and consultation obligations. This budget request calls for phasing in 16 additional positions over the course of the 2017-19 biennium. As shown in this table, the resources would be split between compliance (investigations and inspections) and voluntary consultations; classification details and start dates are provided in the "Decision Package" section below.

	FY 2018		FY 2019		TOTAL
	7/1/2017	1/1/2018	7/1/2018	1/1/2019	
Compliance	4	3	1	2	10
Consultation	1	1	2	2	6
Totals by FY	5	4	3	4	16*

* Expressed as positions, not FTE

When fully implemented (including hiring and training), the additional positions should enable DOSH to complete 540 more preventive inspections and 144 more voluntary consultations per year.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

2015-17 biennium

	FTE	Cost	Fund sources	
Current compliance FTE*	155	\$4,835,003 \$20,601,207 \$853,235 \$3,635,544	608-Accident Account-Federal 608-Accident Account-State 609-Medical Aid Account-Federal 609-Medical Aid Account-State	*Compliance FTE include senior program manager, field managers, field supervisors, field staff and support staff.
Subtotal		\$29,924,989		
Current consultation FTE**	73	\$1,597,620 \$9,239,432 \$305,461 \$2,712,756	608-Accident Account-Federal 608-Accident Account-State 609-Medical Aid Account-Federal 609-Medical Aid Account-State	**Consultation FTE include senior program manager, field managers, field supervisors, field staff (including risk managers) and support staff.
Subtotal		\$13,855,269		
Total	228	\$43,780,258		

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

L&I proposes to add a total of 16 inspectors and consultants, phased in over the 2017-19 biennium:

	Positions	Status	Timing
Safety & Health Specialist 4	2	Perm	1 start 7/1/17 1 start 7/1/18
Safety & Health Specialist 3	8	Perm	1 start 7/1/17 3 start 1/1/18 1 start 7/1/18 3 start 1/1/19
Industrial Hygienist 4	2	Perm	2 start 7/1/18
Industrial Hygienist 3	3	Perm	1 start 7/1/17 1 start 1/1/18 1 start 1/1/19
Risk Management Specialist 3	1	Perm	1 start 7/1/18
Total	16		

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

Prevent workplace injuries, illnesses and fatalities by:

- Increasing number of preventive inspections.
- Increasing number of voluntary consultations requested by employers.
- Maintaining in-depth accident investigations within required deadlines.

Performance measure detail (from Results Washington):

- **Enterprise measures**
 - DOSH inspections with closing conference.
 - Fatality rate per 100,000 FTE.
 - Hospitalization rate per 100,000 FTE, 4-quarter moving average.

- **Goal 4 – Healthy & Safe Communities**

- 2.5 – Decrease workplace injury rates that result in missing 3 or more days from work from 1,514 per 100,000 FTE to 1,425 per 100,000 FTE by 2016
- 2.5.a: Decrease rate of extremely serious worker injuries that lead to death from 2.7 per 100,000 full-time workers to 2.5 per 100,000 full-time workers by 2016
- 2.5.b: Decrease rate of extremely serious worker injuries that lead to hospitalizations from 49.7 per 100,000 in fiscal year 2012 to 43 per 100,000 by 2016

Fully describe and quantify expected effects on state residents and specific populations served.

- Maintain or improve workplace safety in Washington workplaces, which benefits the workers and their families.
- Help employers avoid workers’ compensation costs and maintain a stable workforce by identifying and removing safety and health hazards in their workplaces.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	Yes	Identify: Ensuring that DOSH is fully staffed throughout the state will help avoid the need to prioritize one community’s needs over another.
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: Federal OSHA mandate, Washington state constitutional mandate
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	Yes	Identify: All requested positions would be based in field offices and would spend much of their time at employer locations. DOSH expects to apply Modern Workforce principles (hoteling/touchdown desks, etc.) to minimize the need for additional work stations in L&I field offices.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General’s Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

See notes in the table above.

What alternatives were explored by the agency and why was this option chosen?

King County (L&I Region 2) is our area of greatest concern, but other regions are short-staffed too. Initially, we were able to manage by assigning inspections in King County to inspectors from neighboring regions when needed, but it became so frequent we were short-staffed in those areas too. In April 2016, reassigned five safety consultants (who normally conduct voluntary consultations requested by employers) to create a new work unit of safety inspectors in King Co. The central-office audit supervisor was reassigned to become their Safety Compliance Supervisor. This was intended to be a six-month assignment to relieve the immediate crisis of not having enough experienced compliance inspectors to respond to hospitalizations, fatalities and worker complaints in King County. Unfortunately, it moved the staff shortage to the Consultation Program, and Compliance has become dependent on those experienced personnel. Until the turnover problem is resolved, we will not be able to re-grow a base of seasoned compliance inspectors in King County. If/when that happens, we still won't have enough staff to conduct preventive inspections. It would merely help to ensure we can cover cases where someone has already been hurt or killed or where a worker calls us to report a serious hazard.

What are the consequences of not funding this request?

- Workplace safety will suffer due to reduction of preventive inspections and consultations. Quality also will suffer related to workload growth and/or the inability to retain seasoned inspectors.
- The growing workload will drive more DOSH employees to leave the agency. This is already a significant problem.
- Injury and fatality investigations may not be completed timely – or to a standard that holds up on appeal.
- Staff training will suffer as we take an “all hands on deck” approach to staffing investigations and required inspections.
- L&I could lose federal (OSHA) authority and funding.

How has or can the agency address the issue or need in its current appropriation level?

See “*Alternatives explored*” section above. Those efforts (e.g., “borrowing” staff from other regions and units) are not sustainable. We need more inspectors and consultants to keep up with the growing number of employers.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

- WA State Constitution, Article II, Section 35 ~ Protection of Employees: The legislature shall pass necessary laws for the protection of persons working in mines, factories and other employments dangerous to life or deleterious to health; and fix pains and penalties for the enforcement of the same.
- 23 CFR 1954.3 (b)(3), Personnel: The State must have a sufficient number of qualified personnel who are enforcing the standards in accordance with the State’s enabling legislation. Where a State lacks the qualified personnel to enforce in a particular issue (e.g., Occupational Health), the State will not be considered operational as to that issue, even though it has enabling legislation and standards.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-8L, Lease Rate Adjustment

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) requests funding for the increased costs of leased office space in the 2017-19 biennium.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund	\$19,000	\$20,000	\$20,000	\$20,000
608-1: Accident Fund	\$191,000	\$240,000	\$241,000	\$240,000
609-1: Med Aid Fund	\$190,000	\$241,000	\$240,000	\$241,000
Total	\$400,000	\$501,000	\$501,000	\$501,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
E-Goods & Services	\$400,000	\$501,000	\$501,000	\$501,000
Total	\$400,000	\$501,000	\$501,000	\$501,000

Package Description

Background

L&I, through the Department of Enterprise Services (DES), negotiates building lease contracts with private companies. Increased lease costs will be incurred in the 2017-19 biennium as contracts are negotiated for the following:

- Field offices in Everett, Seattle, Tukwila, Tacoma, Aberdeen, Kelso, Vancouver, Yakima, Spokane and the Town Center 3 building in Tumwater. L&I has opted to close the White Salmon location when the lease expires at the end of November 2017.

New lease costs will be incurred in the 2015-17 biennium as contracts were negotiated for the following:

- Field offices in Port Angeles, Tacoma, Moses Lake and Pullman.

Solution

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

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

As shown in table A (at the end of this decision package), the total cost of these leases is \$14,508,179 for the 2015-17 biennium.

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

Please see table A (end of this decision package) that lists each location, the 2015-17 biennial amount, and the estimated 2017-19 biennial amount.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

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

Performance Measure detail:

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

Fully describe and quantify expected impacts on state residents and specific populations served.

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

What are other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	Yes	Identify: The requested funding will allow L&I to continue to meet the needs of its customers by funding agency leases.
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

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

What alternatives were explored by the agency and why was this option chosen?

None.

What are the consequences of not funding this request?

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

How has or can the agency address the issue or need in its current appropriation level?

The agency currently lacks the resources to pay for the building leases at the estimated 2017-19 levels.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

Table A – Lease Rate Comparison

Property	Renewal	15-17 Biennium	17-19 Biennium	Difference*
Bremerton	Apr 2016	\$343,219	\$343,219	\$0
Moses Lake	May 2017	\$319,440	\$346,896	\$27,000
Port Angeles	May 2017	\$119,030	\$123,480	\$4,000
Tacoma	Jul 2017	\$1,506,641	\$1,651,560	\$145,000
Aberdeen	Aug 2017	\$208,242	\$227,101	\$19,000
TC3-Crime Victims	Aug 2017	\$428,945	\$467,791	\$39,000
TC3-Fraud Prevention	Aug 2017	\$724,181	\$789,765	\$66,000
TC3-Self Insurance	Aug 2017	\$832,315	\$907,691	\$75,000
TC3-SHARP	Aug 2017	\$257,995	\$281,360	\$23,000
Spokane	Sep 2017	\$999,643	\$1,086,238	\$87,000
Tukwila	Sep 2017	\$921,658	\$1,001,497	\$80,000
Yakima	Sep 2017	\$596,944	\$650,296	\$53,000
Seattle	Oct 2017	\$1,857,509	\$1,985,612	\$128,000
White Salmon	Dec 2017	\$8,400	\$1,750	(\$7,000)
Everett	Jun 2018	\$1,153,824	\$1,220,173	\$66,000
Kelso	Jun 2018	\$330,336	\$412,932	\$83,000
Vancouver	Mar 2019	\$648,707	\$660,741	\$12,000
Plum St-Building 6	Jul 2019	\$665,234	\$665,234	\$0
Warehouse	Feb 2020	\$288,489	\$288,489	\$0
Mt Vernon	Mar 2020	\$434,860	\$434,860	\$0
Bellevue	Apr 2020	\$514,500	\$514,500	\$0
Bellingham	Apr 2020	\$389,736	\$389,736	\$0
Kennewick	Jun 2020	\$475,558	\$475,558	\$0
East Wenatchee	Apr 2021	\$335,296	\$335,296	\$0
Pullman	Sep 2021	\$42,476	\$43,680	\$1,000
TC3-lean space	Sep 2021	\$105,000	\$105,000	\$0
Total		\$14,508,179	\$15,410,455	\$901,000

* - rounded to nearest \$1,000

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-8Y, Cost Allocation Adjustment

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

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

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund-State	\$68,000	\$33,000	\$68,000	\$33,000
03B-1: Asbestos Fund	(\$44,000)	\$15,000	(\$44,000)	\$15,000
095-1: Electrical License Account	(\$287,000)	\$82,000	(\$287,000)	\$82,000
163-1: Worker/Community Right to Know	\$4,000	\$3,000	\$4,000	\$3,000
234-1: Public Works Administration	(\$164,000)	(\$183,000)	(\$164,000)	(\$183,000)
262-1: Manufactured Home Installation	(\$7,000)	\$0	(\$7,000)	\$0
608-1: Accident Fund-State	(\$305,000)	\$7,000	(\$305,000)	\$7,000
609-1 Medical Aid Fund-State	\$753,000	\$40,000	\$753,000	\$40,000
885-1: Plumbing Certificate Account	\$1,000	\$3,000	\$1,000	\$3,000
892-1: Pressure Systems Safety Account	(\$19,000)	\$0	(\$19,000)	\$0
Total Cost	\$0	\$0	\$0	\$0
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0

Package Description

Background

This package realigns the 2017-19 biennium indirect distribution of funding sources based on established indirect allocation methodology. Overall expenditures within the agency will not increase but will result in an equitable redistribution across all funding sources for indirect services. This realignment also keeps L&I in compliance with Local Government Accounting Statute¹, which precludes one fund from benefiting another fund.

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

The costs for legal services are realigned to reflect actual expenditures by fund in the Public Works, Medical Aid, and Accident Accounts.

¹ RCW 43.09.210

Solution

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

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

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

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

This is not an expansion or alteration of a current program or service. Current programs and services will remain the same. The net fund impact for this adjustment is zero:

Agency Total by Fund	Appropriated and Planned Expenditures	Impact of Update	Expenditures
001-1 General Fund State	\$45,794,000	\$101,000	\$45,895,000
03B-1 Asbestos Fund	\$1,177,000	(\$29,000)	\$1,148,000
095-1 Electrical License Account	\$48,157,000	(\$205,000)	\$47,952,000
162 Farm Labor Contractor	\$28,000	\$0	\$28,000
163 Wkr/Community Right to know	\$972,000	\$7,000	\$979,000
234 Public Works Administration	\$7,629,000	(\$347,000)	\$7,282,000
262 Manufactured Home Installation	\$355,000	(\$7,000)	\$348,000
608/609 Workers Comp Trust	\$594,581,000	\$495,000	\$595,076,000
885 Plumbing Certificate	\$1,783,000	\$4,000	\$1,787,000
892 Pressure Systems Safety	\$4,250,000	(\$19,000)	\$4,231,000
Total	\$704,726,000	\$0	\$704,726,000

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

Expenditure and FTE

The net impact to the expenditures is zero as referenced in the above “Agency Total by Fund” chart. Also, there is no impact to FTEs.

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

This cost allocation policy includes:

- Allocating costs based on annual allotments for appropriated funds and the estimated benefit payments from the cash flow forecast for non-appropriated funds. Expenditures used as the basis for this annual allocation are the 2015-17 allotments including the Fiscal Year 2016 Supplemental, as approved by Office of Financial Management (OFM) and the Legislature.
- Allocating costs across the programs or sub-programs based on the approved funding splits within the program/subprogram.

- Updating the cost-allocation model annually to reflect increases, decreases and changes to program areas as well as any organizational and budget structure changes.
- Identifying and not allocating out across all programs and funds costs for services that benefit one program and charging to that program directly. Those costs are not allocated out across all programs and funds.

Revenue

This decision package has no revenue impact.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

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

Performance Measure detail:

There are no Results Washington measures directly tied to this proposal.

Fully describe and quantify expected impacts on state residents and specific populations served.

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

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

What are other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov’t impacts?	No	Identify:
Tribal gov’t impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: RCW 43.09.210 - Local government accounting—Separate accounts for each fund or activity.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:

Impact(s) To:		Identify / Explanation
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

This is an agency-wide issue that affects the fund balance of all of the funds appropriated to L&I. Some of these funds are connected to other state agencies in the form of an allotted budget. This decision package will not change the allotments of the L&I administered funds at other state agencies. Below is a list of other state agencies receiving funding from L&I administered funds.

Bien	Agency	Agency Title	Acct	Account Title	Allotted	Activities
Worker Community Right to Fund						
2017	190	BIIA	163	Worker Comm.	10,000	For hearings involved with the Worker Community Right to Know Fund. Currently no expenses for the 2017 Biennium.
				Total	10,000	
2017	245	Military Dept.	163	Worker Comm.	7,407,079	Military Department's Emergency Management Division plans for the prevention, mitigation, and response to hazardous materials that may pose a threat to the general public.
				Total	7,407,079	
2017	461	DOE	163	Worker Comm.	4,021,503	Tracking bulk storage of hazardous chemicals to facilitate emergency planning and response. Tracking and reporting the release of toxic chemicals into communities across the state.
				Total	4,021,503	
Accident and Medical Aid Accounts						
2017	107	HCA	609	Medical Aid	528,000	Used for the HCA Health Technology Assessment (HTA) Program. The HTA uses scientific evidence to determine if health services are safe and effective. HTA serves citizens by ensuring that certain medical devices, procedures, and tests paid for with state health care dollars are safe and proven to work.
				Total	528,000	
2017	303	DOH	608	Accident	324,000	The Temporary Worker Housing (TWH) program licenses and inspects temporary-worker housing in Washington. TWH is a place or space provided for migrant farmworkers and their families; it includes cherry-harvest tent camps and regular housing.
2017	303	DOH	609	Medical Aid	53,000	
				Total	377,000	

2017	190	BIIA	608	Accident	20,864,000	The BIIA hears appeals from decisions made by L&I in several areas. The three principal types of appeals are: Industrial insurance (workers' compensation), safety citations under the Washington Industrial Safety & Health Act (WISHA), and employer premiums (tax assessments and classifications).
2017	190	BIIA	609	Medical Aid	20,864,000	
				Total	41,728,000	
2017	360	UW	608	Accident	7,129,000	Involves the Department of Environmental & Occupational Health Sciences at the UW School of Medicine – Occupational Epidemiology & Health Outcomes Program. The program uses workers' compensation data and its own research to improve medical care, update treatment guidelines, and provide information on treatment outcomes to injured workers, employers and physicians.
2017	360	UW	609	Medical Aid	6,749,000	
				Total	13,878,000	
				Sum:	67,949,582	

What alternatives were explored by the agency and why was this option chosen?

Options considered are:

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

What are the consequences of not funding this request?

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

How has or can the agency address the issue or need in its current appropriation level?

By not making the necessary fund changes, L&I would be in violation of the Local Government Accounting Statute. L&I could receive audit findings, which could place the agency and its executives at risk of legal action.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-9F, Federal Funding Adjustment

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) administers two federal Department of Labor grants received during the 2015-17 biennium. Because these federal grants extend into the 2017-19 biennium, this package seeks appropriation for the costs attributed to the 2017-19 biennium.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-2: Accident Fund-Fed	\$888,000	\$831,000	\$750,000	\$187,000
609-2: Med Aid Fund-Fed	\$157,000	\$146,000	\$132,000	\$33,000
Total Cost	\$1,045,000	\$977,000	\$882,000	\$220,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	1.9	1.0	1.0	0.3
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
608-2 Accident Fund-Fed	\$888,000	\$831,000	\$750,000	\$187,000
609-2 Med Aid Fund-Fed	\$157,000	\$146,000	\$132,000	\$33,000
Total Revenue	\$1,045,000	\$977,000	\$882,000	\$220,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$104,000	\$58,000	\$58,000	\$14,000
B-Employee Benefits	\$40,000	\$21,000	\$21,000	\$5,000
C-Contracts	\$45,000	\$120,000	\$45,000	\$11,000
E-Goods & Services	\$11,000	\$0	\$0	\$0
G-Travel	\$20,000	\$2,000	\$2,000	\$1,000
N-Grants	\$825,000	\$776,000	\$756,000	\$189,000
Total	\$1,045,000	\$977,000	\$882,000	\$220,000

Package Description

Apprenticeship is a combination of on-the-job training and related classroom instruction in which workers learn the practical aspects of a highly skilled occupation. L&I's Apprenticeship Program works with sponsors throughout the state to develop and maintain apprenticeship and training standards for various professions and trades.

L&I administers two federal Department of Labor grants received during the 2015-17 biennium. Because these federal grants extend into the 2017-19 biennium, this package seeks appropriation for the costs attributed to the 2017-19 biennium.

American Apprenticeship Initiative grant – October 1, 2015, through September 30, 2020. This is a five-year, \$5 million federal grant designed to expand technology job opportunities for women, minorities, veterans and others in the state. The grant is expected to provide training and jobs for up to 1,000 people, with approximately 600 of them in the technology industry. L&I has partnered with the

Washington Technology Industry Association, major technology companies, Bates Technical College and Spokane Community College to implement the provisions of the grant.

Apprenticeship USA State Accelerator grant – June 1, 2016, through May 31, 2018. This is a two-year, \$200,000 federal grant designed to increase the number of employers using apprentices and to place information technology apprentices in state agencies as part of the American Apprenticeship Initiative grant.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

American Apprenticeship Initiative grant – The current budget for the 2015-17 biennium is \$1,971,062.
Apprenticeship USA State Accelerator grant – The current budget for the 2015-17 biennium is 105,228.

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

These federal grants are administered by the Department of Labor and Industries Apprenticeship Program with federal funds received from the U.S. Department of Labor. Therefore, the Accident Fund (608-Federal) and Medical Aid Fund (609-Federal) are affected. The subrecipients of the American Apprenticeship Initiative grant are the Washington Technology Industry Association, Bates Technical College and Spokane Community College. Allowable costs to L&I and the subrecipients are reimbursed by the U.S. Department of Labor.

As required during the application process, L&I submitted a budget outlining how the federal grant funds would be used over the grant period. This package reflects the costs associated during the 2017-19 biennium.

The costs include, but are not limited to:

- Training and curriculum development and implementation
- Apprenticeship monitoring – workers and employers
- Marketing and outreach to workers and employers
- Administration related to managing the federal grants

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

These federal Department of Labor grants are intended to:

- Create apprenticeship opportunities within the information technology industry.
- Create apprenticeship opportunities for women, minorities, veterans and others in the state.
- Create funding for Bates Technical College and Spokane Community College for traditional trades and apprenticeship preparation programs.

Performance Measure detail (Results Washington)

A clear connection with Goal 1 World-class Education, 1.3: increase annual attainment of certificates, apprenticeships and degrees.

Fully describe and quantify expected impacts on state residents and specific populations served.

The desired outcomes of these federal grants are to allow workers and employers in the state to benefit by developing a more highly skilled workforce by expanding the use of apprenticeship programs. This federal funding creates apprenticeship opportunities within the information technology industry, and creates and expands opportunities for women, minorities and veterans. It also provides funding for expanding access to traditional trades through apprenticeship preparation programs.

What are other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	Identify: These grants create additional opportunities for expanding the pool of qualified workers. This has the potential to benefit workers and employers from all parts of the state.
Other local gov't impacts?	Yes	Identify: These grants create additional opportunities for expanding the pool of qualified workers. This has the potential to benefit workers and employers from all parts of the state.
Tribal gov't impacts?	Yes	Identify: These grants create additional opportunities for expanding the pool of qualified workers. This has the potential to benefit workers and employers from all parts of the state.
Other state agency impacts?	Yes	Identify: These grants create additional opportunities for expanding the pool of qualified workers. This has the potential to benefit workers and employers from all parts of the state.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget	No	If yes, see budget instructions Section 14.4 for

Sound recovery?		additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

See table above.

What alternatives were explored by the agency and why was this option chosen?

The Department of Labor and Industries Apprenticeship budget lacks the resources to undertake the desired outcomes of these grants. These federal grants were pursued with the intention of improving the qualified work force in the state, which benefits the labor force and employers.

What are the consequences of not funding this request?

Funding is necessary to comply with the terms of the performance agreement of these federal Department of Labor grants.

How has or can the agency address the issue or need in its current appropriation level?

L&I does not have sufficient state appropriation to undertake the goals these federal grants intend to accomplish. However, appropriation is still necessary to spend the federal funds associated with these grants.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-CN, Conveyance Management System

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text

The Department of Labor & Industries (L&I) is requesting funding to replace the Elevator Program's failing Conveyance Management System. This computer system is used for managing customer accounts, issuing invoices and permits, storing inspection and violation records, scheduling inspections, etc. Without a replacement, the instability of the existing system will increasingly result in delays for building owners and contractors.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund-State	\$834,000	\$240,000	\$67,000	\$67,000
608-1: Accident Fund	\$47,000	\$14,000	\$4,000	\$4,000
609-1: Med Aid Fund	\$8,000	\$2,000	\$1,000	\$1,000
Total Cost	\$889,000	\$256,000	\$72,000	\$72,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	3.0	0.7	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund-State	\$67,000	\$67,000	\$67,000	\$67,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$234,000	\$58,000	\$0	\$0
B-Employee Benefits	\$90,000	\$23,000	\$0	\$0
E-Goods & Services	\$536,000	\$175,000	\$72,000	\$72,000
G-Travel	\$1,000	\$0	\$0	\$0
J-Capital Outlays	\$28,000	\$0	\$0	\$0
Total	\$889,000	\$256,000	\$72,000	\$72,000

Package Description

State law (RCW 70.87.120) requires that all new, altered or relocated lifting conveyances (elevators, escalators, stairway lifts, etc.) must be inspected before they can receive an operating permit. Building owners are required to purchase operating permits and annual certificates for every lift, elevator and escalator they own – and most conveyances must be inspected at least once per year. Even conveyances in private residences must have an operating permit (if newly installed or altered), although they're exempt from annual inspections except at the owner's request.

Throughout most of Washington, inspections are conducted by L&I. (The cities of Seattle and Spokane have authority to inspect conveyances within their borders.) In 2010, there were 15,505 permitted conveyances that required an annual inspection by L&I. By 2015, the number of permitted conveyances under L&I's jurisdiction grew to 17,385. The number will increase as the state's population and the number of buildings continue to expand.

What's the problem?

The Elevator Program's computer system (Conveyance Management System) – which is used for managing customer accounts, issuing invoices and permits, storing inspection and violation records, scheduling inspections, etc. – is archaic and inefficient. As it currently stands, there are more than 5,000 estimated hours of programming required to fix existing problems and add needed functionality. Employees are frustrated by its bugs, inefficiencies, unreliability and required workarounds, all of which affect productivity and morale as well as customer service.

What we're requesting

L&I proposes to replace the current Conveyance Management System with a software-as-a-service (SaaS) product that has capabilities for customer-relationship management, administration (reports, customer accounts, payments, and correspondence) and compliance (inspections, corrections, certifications, laws and regulations, event scheduling, and location routing). While a SaaS solution would have limited ability to be customized, the program believes a product with the described “out of the box” features would be a significant improvement over the current system – especially for processing customer invoices, owner updates, inspection reports and other transactions for more than 18,000 conveyances under L&I's jurisdiction.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

There is currently nothing in our base budget related to replacing the Conveyance Management System.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

Replace the Conveyance Management System using a Software-as-a-Solution (SaaS) product.

- 2,088 hours (1 FTE) Project Manager to coordinate all aspects of the project through research, development and implementation. The project is expected to run from October 1, 2017, through September 30, 2018.
- 5,220 hours (2.5 FTE) Information Technology Specialist 4 to define business requirements and conduct risk assessments. The project is expected to run from October 1, 2017, through September 30, 2018.
- 2,666 contract programming hours, to be completed from October 1, 2017, through September 30, 2018:
 - 1,125 hours for developing interfaces (1,125 hours at \$100/hour = \$112,500)
 - 1,123 hours for solution architecture (1,123 hours at \$150/hour = \$168,450)
 - 418 hours for quality assurance (418 hours at \$182/hour = \$76,076)
- Software license: \$206,000 for fiscal year 2018, with an annual license renewal of \$72,000 each subsequent fiscal year.

Revenue

The Elevator Program charges fees for permits, inspections and other services. Revenue is deposited into the General Fund-State. To offset the General Fund-State portion of the ongoing costs associated with this package, a 1.65 percent fee increase is required on all Elevator Program fees.

- Ongoing biennial General Fund-State costs \$134,000
- Estimated biennial Elevator Program revenue \$8,107,000
- Fee increase necessary to recover ongoing costs 1.65% (\$134,000 divided by \$8,071,000 = 1.65%)

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Improved productivity, efficiency and accuracy in processing invoices, permits and other records (due to the new computer system).
- Improved employee morale and responsiveness to customers.

Performance measure detail (Results Washington)

No specific measures, but generally supportive of business vitality and Goal 5: Employer of Choice.

Fully describe and quantify expected effects on state residents and specific populations served.

- Better responsiveness to customers' questions and requests, and faster processing of invoices, inspection reports and customer correspondence.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

We believe an off-the-shelf solution exists that would adequately meet the program’s needs, rather than building a customized system.

What are the consequences of not funding this request?

The existing “conveyance management” computer system is archaic and inefficient, with a backlog of more than 5,000 hours of programming needed to improve its functioning. The program staff must perform significant amount of manual “work arounds” to perform their work. If the program continues to use the application, building owners and contractors will increasingly experience delays.

How has or can the agency address the issue or need in its current appropriation level?

The program’s appropriation level is based on workload. It does not have surplus funding to replace the failing computer system.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

- No 
- Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance and independent verification and validation) or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs.”)

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
IT Project Manager (1.0 FTE)	\$133,000	\$31,000	\$0	\$0
Business Analyst (2.5 FTE)	\$282,000	\$63,000	\$0	\$0
Contractor programming	\$268,000	\$90,000	\$0	\$0
Software licensing	\$206,000	\$72,000	\$72,000	\$72,000
Total Cost	\$889,000	\$256,000	\$72,000	\$72,000

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO, as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is or enhances/modifies an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is or will be under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-EP, Self-Insurance Program

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking 4.2 FTE and \$1.057 million to accommodate workload changes in the Self-Insurance Program. The request is to provide ongoing funding for the Self-Insurance Risk Analysis System (SIRAS) project, as provided in Chapter 177, Laws of 2015, and to expand community outreach and respond to increased volume in the Ombuds Office.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$268,000	\$260,000	\$260,000	\$260,000
609-1: Med Aid Fund	\$268,000	\$261,000	\$261,000	\$261,000
Total Cost	\$536,000	\$521,000	\$521,000	\$521,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	4.2	4.2	4.2	4.2
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$291,000	\$291,000	\$291,000	\$291,000
B-Employee Benefits	\$112,000	\$112,000	\$112,000	\$112,000
C-Contracts	\$40,000	\$40,000	\$40,000	\$40,000
E-Goods & Services	\$82,000	\$77,000	\$77,000	\$77,000
G-Travel	\$1,000	\$1,000	\$1,000	\$1,000
J-Capital Outlays	\$10,000	\$0	\$0	\$0
Total	\$536,000	\$521,000	\$521,000	\$521,000

Package Description

The Self-Insurance Program allows employers to self-insure and pay workers' compensation benefits directly to employees who are injured on the job or become ill as a result of their work. The program is dedicated to supporting employers and protecting workers by providing impartial oversight and timely, expert services to the self-insured community.

Ombuds Office

The Ombuds Office staffing was established in 2007 at a staffing level of four positions for the first two years:

51.14.330 Ombuds Office – Staffing level

During the first two years after the office of the ombuds is created, the staffing level shall be no more than four persons, including the ombuds and any administrative staff. Thereafter, the staffing levels shall be determined based upon the office of the ombud's workload and whether any additional locations are needed.

Current staffing levels consist of the Ombud, a program specialist 3, and two ombud assistants. The ombud assistant positions perform official investigations and require the same experience and training as the workers' compensation adjudicator 4 classification.

L&I seeks to add a management analyst 4 position to assist with the workload. The complaint volume is increasing and will continue to increase due to expanded community outreach. Complaint volume increased to 1,380 inquiries in 2016, which equates to a 37percent increase. A new complaint tracking system is being implemented that will provide better data analytics to illustrate the nature of this increased workload.

In addition to assisting with the increased workload, the additional analyst position will have the skills and abilities to expand the ombud's community outreach and training program. For instance, the Ombuds Office is involved in the alternative-language access issue for the self-insured community, including identifying deficiencies in current processes and developing solutions.

SIRAS

Chapter 177, Laws of 2015 (Senate Bill 5468) allows L&I to use non-appropriated funds for administrative costs on one-time projects requested by self-insured employers. The legislation does not require a signature or any formal approval to initiate a project. The department needs to only "seek support from self-insured employers prior to accessing these funds." The funds are subject to allotments of all expenditures of the one-time project. The self-insured-employer administrative assessments are expected to cover the cost of the one-time project. The bill does not mention that self-insured employers would need to cover any ongoing maintenance cost.

L&I has been given approval from the self-insured community to fund the SIRAS project. The project is estimated to cost \$2.35 million in the 2015-17 biennium. These are all one-time, non-appropriated funds. Once the initial, one-time cost of the project is complete, the department will have ongoing administrative maintenance costs for future biennia. This decision package requests authority to pay for those ongoing maintenance costs from appropriated funds.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

SIRAS Ongoing budget - \$0 (no funds were provided for ongoing maintenance)
Ombuds Office - 4 FTE and \$329,000

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

Ombuds Office

1 Management Analyst 4 to manage investigations (2016 - 1,400), including case assignment to staff and internal processes; related data systems and reports; and a community outreach program, including training for multiple stakeholders. The Management Analyst must ensure continual process improvement, cultivate collaborative relationships in a broad community, and manage the Ombuds program's daily operation.

SIRAS

3 IT Specialist 4 for system maintenance
\$80,000 for vendor maintenance
\$18,000 for data dictionary subscription

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- L&I Goal 3: Make it easy to do business with L&I.
- L&I Goal 4: Identify non-compliance and take action to correct
- Improve customer satisfaction.

Performance Measure detail:

This request is generally supportive of the customer satisfaction goals in Results Washington Goal 5.

Fully describe and quantify expected impacts on state residents and specific populations served.

The mission of the Ombuds Office for Self-Insured Injured Workers is to provide advocacy and support for injured workers of self-insured employers across the state, as well as help ensure an efficient workers' compensation system. This position directly supports this mission by ensuring fair and certain relief for injured workers, as well as close collaboration with multiple internal and external stakeholders (e.g., L&I's Insurance Services Division, Office of Government Affairs and Office of the Medical Director ; injured workers; labor; attorneys; legislators; and business).

What are other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:

Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

The alternative is to reduce spending in other areas to accommodate the need outlined in this request.

What are the consequences of not funding this request?

The Ombuds Office will not be able to expand community outreach at the pace that our labor constituents deserve, and implementation of the new computer system and related data analytics may be jeopardized.

Issues with SIRAS will need to be prioritized with other information technology issues and corrected only as funding allows.

How has or can the agency address the issue or need in its current appropriation level?

The agency has not addressed these issues within its current appropriation level. To do so would require the agency to reprioritize existing spending and reduce where necessary.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs”)

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
3 IT Specialist 4 - Maintenance	\$357,000	\$357,000	\$357,000	\$357,000
Ongoing vendor support	\$40,000	\$40,000	\$40,000	\$40,000
Data Dictionary Subscription	\$9,000	\$9,000	\$9,000	\$9,000
Total Cost	\$406,000	\$406,000	\$406,000	\$406,000

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-LS, Complex WISHA Litigation

Budget Period: 2017-19 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking \$2.7 million to reimburse the Attorney General’s Office (AGO) for the expenses incurred in providing additional legal services for complex litigation under the Washington Industrial Safety and Health Act (WISHA).

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$1,140,000	\$1,140,000	\$1,140,000	\$1,140,000
609-1: Med Aid Fund	\$201,000	\$201,000	\$201,000	\$201,000
Total Cost	\$1,341,000	\$1,341,000	\$1,341,000	\$1,341,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
E-Goods & Services	\$1,341,000	\$1,341,000	\$1,341,000	\$1,341,000
Total	\$1,341,000	\$1,341,000	\$1,341,000	\$1,341,000

Package Description

L&I faces the emerging need to prosecute its civil penalties in worker-safety litigation against national law firms mounting massive discovery, motions, sanctions, and expert witnesses and against multi-attorney national teams before the Board of Industrial Insurance Appeals and Washington courts. The cases require extensive travel outside of Washington, frequent appeals to Superior and appellate courts to develop case law, as well as a group of efficient and expert case-dedicated AAG's and paralegals who focus only on these larger cases to counter emerging defense practices.

Several factors have converged to create the ongoing need for this specialized team. Many employers now consider it cost-effective to retain expensive, out-of-state law firms to appeal and defend against WISHA citations. This is because WISHA citations carry greater consequences than in the past due to court rulings that have had the effect of requiring property owners to consider the safety records of contractors and a presidential executive order for bidding on federal contracts, which now requires federal agencies to consider bidders’ (and their sub-contractors’) worker safety and health violations.

Further, the construction boom in the Puget Sound area, especially in King County, which is fueled by strong economic growth and a growing population, has resulted in large-scale, expensive projects with complex safety issues. Appeals of these citations have become increasingly complex, and this trend is expected to continue. Hearings that previously lasted only one or two days are now lasting for two weeks. This is especially true if the citation arises out of a fatality or serious injury. The Tesoro hearings, arising out of the deaths of seven workers, have become the longest WISHA hearings ever, and further hearings are anticipated.

L&I entered into an interagency agreement with the AGO during the 2015-17 biennium to address complex litigation associated with the refinery litigation stemming from citations to refinery owners, primarily Tesoro, under WISHA. These cases are outside of the standard services provided and appropriated by the Legislature. The total amount of the agreement is \$976,000.

The AGO has identified additional WISHA-related legal issues that will require added legal support outside of the standard services for the 2017-19 biennium, including Aerocell, Kiewit, Seattle Tunnel Partners, Seattle Bulk Shipping and Alaska Airlines.

During the 2015-17 biennium, L&I was able to make some one-time spending adjustments to accommodate this need, but cannot continue to short-change other agency efforts to accommodate the additional legal expenses.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*
 \$0 – The agency made one-time spending adjustments to accommodate this need.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

It is estimated an additional \$1.34 million annually will be required to cover costs for:

- 3.5 Assistant Attorney General FTE
- 4 Paralegal FTE
- \$200,000 annually for litigation-related costs, as follows:
 - \$140,000 for expert-witness fees
 - \$50,000 for travel costs
 - \$10,000 for other litigation costs

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

The ability to fully defend WISHA-related citations affecting the safety of workers.

Performance measure detail:

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

Fully describe and quantify expected effects on state residents and specific populations served.

Washington’s workers (and employers) benefit from having safe workplaces. L&I needs to be able to fully defend its WISHA-related citations to hold employers accountable for violations and to ensure that safety hazards are corrected.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:

Other state agency effects?	Yes	Identify: L&I will enter into an interagency agreement outside of the base services provided.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

The current assumption is to extend the current interagency agreement through the end of the 2017-19 biennium. However, if this program is needed on an ongoing basis, continued funding should become part of the standard services funded through the Central Service Model.

What alternatives were explored by the agency and why was this option chosen?

L&I assumed this to be a one-time expenditure for Fiscal Year 2016 and made a one-time adjustment to current spending to accommodate the additional legal expenses. L&I cannot sustain this method long-term, as the need for complex litigation is continuing to increase.

What are the consequences of not funding this request?

L&I will have to reduce spending in other areas to accommodate this need. This will include reducing/delaying services to customers.

How has or can the agency address the issue or need in its current appropriation level?

During Fiscal Year 2016, L&I re-prioritized spending to accommodate an \$976,000 interagency agreement. At the time, the department assumed this to be a one-time issue. Cases leading to complex litigation continue to increase, and L&I cannot continue to absorb this as a continued program.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-LX, Network Infrastructure

Budget Period: 2017-19 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking \$4.4 million to place the department’s Network Infrastructure on a “lifecyle” replacement schedule and address costs associated with Disaster Recovery service.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$1,017,000	\$1,002,000	\$1,002,000	\$1,002,000
609-1: Med Aid Fund	\$1,016,000	\$1,001,000	\$1,001,000	\$1,001,000
Total Cost	\$2,033,000	\$2,003,000	\$2,003,000	\$2,003,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	2.1	2.1	2.1	2.1
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$172,000	\$172,000	\$172,000	\$172,000
B-Employee Benefits	\$67,000	\$67,000	\$67,000	\$67,000
C-Contracts	\$801,000	\$801,000	\$801,000	\$801,000
E-Goods & Services	\$972,000	\$962,000	\$962,000	\$962,000
G-Travel	\$1,000	\$1,000	\$1,000	\$1,000
J-Capital Outlays	\$20,000	\$0	\$0	\$0
Total	\$2,033,000	\$2,003,000	\$2,003,000	\$2,003,000

Package Description

L&I’s network systems are used daily to support every aspect of the agency’s business. Various technology components make up the network systems and include LAN servers, data storage devices, phone gateways, monitoring equipment and network switches. Grouped together, this equipment is referred to as “Network Infrastructure.”

Typically, equipment has a “lifecyle” and is replaced every 4-5 years. All network infrastructure components need funding to pay for ongoing maintenance, repairs and replacement. L&I uses a lease process that allows equipment to be “refreshed” when it reaches end-of-life/lease. The lease funding helps level operational costs and allows accurate forecasting for future funding needs.

A portion L&I’s network infrastructure is supported using existing operational funding. Currently, items such as application hosting services provided by WaTech, LAN server equipment and some of the phone systems, have an ongoing budget. However, several key network components are not funded. When a component reaches the end of its life currently, L&I must re-prioritize spending to replace the item. Often, funds are not available, resulting in equipment staying in service long-past its useful or designed

life. Continuing to use this equipment past its useful life introduces risk to agency business, which can cause delays or outages for customers.

In addition, L&I receives a disaster-recovery service that is currently unfunded. The department recently implemented a disaster-recovery plan to improve the agency's ability to quickly recover critical information technology systems that support essential L&I functions during or immediately following an IT disaster. The disaster-recovery services include backing up the department's core applications for workers' compensation claims.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

- \$929,000 for server leases, enterprise storage arrays and field UPS system
- \$6,934,000 for computer leasing

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

The department needs ongoing funding to support the following:

- \$855,000 per year - Convert network infrastructure items to a life-cycle-replacement program:
 - Core and closet switches
 - Video delivery service
 - FAX gateway hardware
 - Wireless firewall content filter
 - Storage Expansion
 - Field surveillance systems
 - Wireless AP concentrators
 - Predictive Dialer replacement
 - UPS systems
 - Field and HQ telephone sets
 - Network access control
- 1 FTE and \$137,000 per year – This full time resource is needed to manage the logging and monitoring solution and to quickly identify and remediate malicious activity on the network by analyzing logs and log-collections criteria that will be designed and implemented by this position, as well as providing log analysis of output from other security systems. Assumes an ITS5.
- \$1,010,000 per year – Provide funding for the disaster-recovery service.
 - 1 FTE and \$137,000 per year – ITS5 to administer the disaster-recovery program. The two primary functions will be daily operational management of mission-critical infrastructure components within the agency's disaster-recovery environment as well as preparing, planning and on-boarding new disaster-recovery services and applications.
 - \$720,000 per year for service charge to SunGard.
 - \$72,000 per year for Content Management Storage Expansion.
 - \$81,000 per year for WaTech .

Decision Package justification and effects

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Converting the network infrastructure items to lease will not have a direct performance outcome. The agency does anticipate the ability to reduce downtime with systems when they occur.
- Maintaining stable technology systems is essential to the agency's goal of "Making it easy to do business with L&I."

Performance measure detail:

This request is generally supportive of the customer satisfaction goals in Results Washington Goal 5.

Fully describe and quantify expected effects on state residents and specific populations served.

The primary purpose of this decision package is to ensure we can maintain (or quickly recover) the technology systems we use to serve customers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

What alternatives were explored by the agency and why was this option chosen?

The alternative is to continue to re-prioritize spending to accommodate failures in the network infrastructure items.

What are the consequences of not funding this request?

Several key technology systems are at end-of-life and are failing. L&I Would need to prioritize other spending within the agency to accommodate these items.

How has or can the agency address the issue or need in its current appropriation level?

Historically, the agency has re-prioritized money from vacancy savings to replace end-of-life or failing technology. L&I is no longer experiencing the vacancy savings that had been available previously.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No



Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance and independent verification and validation) or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs.”)

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
Life-cycle Replacement	\$855,000	\$855,000	\$855,000	\$855,000
Disaster Recovery	\$873,000	\$873,000	\$873,000	\$873,000
Staffing	\$305,000	\$275,000	\$275,000	\$275,000
Total Cost	\$2,033,000	\$2,003,000	\$2,003,000	\$2,003,000

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO, as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is or enhances/modifies an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is or will be under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-MF, Relocate Field Offices

Budget Period: 2017-19 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is requesting \$3.84 million to close one field office and relocate three others. The Seattle office would close in response to safety issues, high lease costs, parking limitations and declining customer traffic, among other concerns. The Bremerton, Port Angeles and Yakima facilities would be relocated due to poor maintenance, safety concerns and other problems the landlords are unwilling to address. This proposal also includes additional capacity to plan and implement the office moves as well as Modern Workplace features throughout L&I facilities.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$967,000	\$952,000	\$71,000	\$71,000
609-1: Med Aid Fund	\$967,000	\$952,000	\$72,000	\$72,000
Total Cost	\$1,934,000	\$1,904,000	\$143,000	\$143,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	2.1	2.1	1.1	1.1
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$168,000	\$168,000	\$84,000	\$84,000
B-Employee Benefits	\$65,000	\$65,000	\$32,000	\$32,000
C-Contracts	\$0	\$0	\$0	\$0
E-Goods & Services	\$1,660,000	\$1,650,000	\$17,000	\$17,000
G-Travel	\$21,000	\$21,000	\$10,000	\$10,000
J-Capital Outlays	\$20,000	\$0	\$0	\$0
Total	\$1,934,000	\$1,904,000	\$143,000	\$143,000

Package Description

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. The department also proposes to close its Seattle field office and transfer the employees to other Puget Sound-area locations; this action is driven mostly by declining customer visits (caused by traffic and parking difficulties) as well as safety issues, high lease costs and limitations on staff parking. In addition to improving conditions for employees and customers, the relocations would give L&I an opportunity to make progress toward implementing the type of flexible, modern work space envisioned in the Governor’s executive order on “Building a Modern Work Environment.” Here are more details about the problems with each location.

Bremerton, \$455,000 ~ 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 building fell into foreclosure and was scheduled to be sold at auction in mid-August. Documented problems include:

- Poor ventilation, high temperatures in the summer, ant infestations, lighting issues, flooring tripping hazards, plumbing problems, cracked windows, doors not locking correctly, building odors, elevator malfunctions, homeless people and broken glass in the parking garage, rocks falling from the building façade (and a large crack found in the façade), plus other security concerns.

The building owner doesn't respond in a timely manner. E.g., the elevator was fixed only after an inspector threatened to red-tag it; and the only attempt to fix the HVAC made the problem worse.

- 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.
- The two-story space is used inefficiently. The OFM Facilities Oversight Group has identified the Bremerton office as a good candidate for relocation to improve space efficiency.

The Bremerton lease expired in March 2016 and has been on a month-to-month lease since then.

Port Angeles, \$288,000 ~ Safety is the biggest concern at this 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.

Documented problems 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, gang graffiti on the building, air quality in the building, etc.
- L&I has tried 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 was recently extended through April 2017. 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.

Seattle, \$1,302,000 ~ L&I proposes to close the downtown Seattle service location and to transfer the employees to other offices – mostly the Tukwila and Bellevue service locations. The reasons include safety and security in and around the current facility, the high cost of rental properties, insufficient parking, and declining customer visits related to traffic and parking challenges. The lease currently is scheduled to expire Sept. 30, 2017; L&I is negotiating a one-year extension to allow time to complete the closure in the 2017-19 biennium.

Yakima, \$1,186,000 ~ The Yakima office is housed on one floor of a 96-year-old fruit-packing warehouse. The converted building requires considerable maintenance. Unfortunately, the landlord has been chronically slow to keep basic systems functioning (HVAC, elevators, etc.) or invest in updates to make the building more inviting for customers and staff. Current and recent problems include:

- The building's single, aging passenger elevator does not operate reliably. 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, customers or employees with disabilities.
- The building owner replaced the breakdown-prone HVAC system a few years ago, but by June 2015, the new one was already malfunctioning, and the problems have continued into 2016. L&I had to purchase fans to make the 80+ degree temperature in the office tolerable; and in some cases, employees have been sent home early.

- The aging windows are not energy-efficient, and employees have complained about poor air quality.
- There are chronic problems with vagrancy, used drug paraphernalia, broken liquor bottles, clothing and other garbage adjacent to entrances used by customers and employees.
- Due to malfunctioning door locks/latches, customers have been able to enter “secure” employee work areas without proper escorts.
- 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. L&I customers may use the parking lots at no charge if they can find space, although the locations are not marked and are 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.
- There is no designated handicap parking for L&I employees or customers. Injured workers have been observed walking on crutches or being pushed in wheelchairs some distances through the snow in the winter months.

There have been vehicle break-ins, theft and vandalism. Stalkers have followed employees and lingered in or near the parking areas; gang activity has been reported in the area. Often, L&I employees find homeless people sleeping on the loading dock near the employee entrance as well as the main customer entrance. The lease expires in August 2017. L&I wants to find an alternative location in the Yakima area that offers better safety, customer access and operational efficiencies.

Facilities planning, \$606,000 ~ To smoothly pull off these four significant office moves in the 2017-19 biennium, L&I needs additional facilities planning capacity. The department is requesting one two-year project position to plan and coordinate the office moves. L&I also is seeking a permanent facilities planning position to address a series of immediate and future facilities challenges that will exceed the capacity of the existing facilities planners. See details in the Decision Package section below.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

- Most of this decision package is composed of one-time costs.
- Closing the Seattle office will begin returning savings by the third year due to avoided lease costs.
- Leases for the current Bremerton, Port Angeles and Yakima offices currently total \$528,000 per year. Leases for the replacement facilities will comply with limits established by OFM.
- L&I currently has 5 facilities planners; their current functions do not include planning and coordinating the office moves.

Decision package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

The majority of the relocation costs for each office move are:

Bremerton

- \$120,000 for tenant improvements
- \$180,000 for new furniture
- \$77,000 for IT infrastructure
- Other costs include DES fees, moving vendor and supplies, building security and Access Systems.

Port Angeles

- \$48,000 for tenant improvements
- \$82,600 for new furniture
- \$65,000 for IT infrastructure
- Other costs include DES fees, moving vendor and supplies, building security and Access Systems.

Seattle

- \$303,000 for tenant improvements
- \$389,400 for new furniture
- \$85,000 for IT infrastructure
- Other costs include DES fees, moving vendor and supplies, building security and Access Systems.
- \$179,900 to lease additional space in Tukwila or Bellevue to accommodate the Seattle move, starting April 2018. This decision package assumes: L&I is negotiating a one-year extension for the Seattle office to allow time to complete the closure in the 2017-19 biennium; L&I will lease 80 percent of the current Seattle size in Tukwila or Bellevue starting April 2018.

Yakima

- \$303,000 for tenant improvements
- \$507,400 for new furniture
- \$119,000 for IT infrastructure
- Other costs include DES fees, moving vendor and supplies, building security and access systems.

Additional FTE also are needed to plan and coordinate the office moves.

- One two-year project Senior Facilities Planner position to plan and coordinate the office moves.
- One permanent Senior Facilities Planner position to:
 - Support the agency’s new six-year facilities plan, which envisions additional office moves in future biennia;
 - Incorporate modern workplace features desired by employees and customers, as directed in the governor’s executive order #16-07, Building a Modern Work Environment; and
 - Help to reconfigure the headquarters building to accommodate more employees.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Improved satisfaction for customers and staff, as measured by surveys.
- Better space-use efficiency, as defined by the Department of Enterprise Services.
- L&I Goal 3: Make it easy to do business with L&I.
- Progress toward implementing the Governor’s executive order on “Building a Modern Work Environment.”

Performance measure detail:

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

Fully describe and quantify expected effects on state residents and specific populations served.

Customers and employees of the field offices would experience safer conditions both outside and inside the facilities, as well as better access to parking. The moves also create an opportunity for L&I to implement better customer-service layouts and the type of modern workspace envisioned in the governor’s executive order on modern work environments.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/County effects?	Yes	Identify: There could be a perceived loss of service if field offices are relocated to another town – even if the distance isn’t far. The moves will need to be clearly communicated to customers to minimize confusion about how and where to get L&I service.
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or effects?	Yes	Identify: We’re working with DES to find suitable space for serving the public and conducting work – within the below-market rates approved by OFM. The office relocations will create opportunities to improve the efficiency and flexibility of how L&I uses the work space.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify: The Bremerton office is now on a month-to-month lease; the other three leases expire in 2017. Short-term extensions may be sought to help with timing of the moves during the 2017-19 biennium.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General’s Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

- L&I customers and employees support moving the Yakima field office to improve accessibility and safety, and it’s L&I’s intention to find a location elsewhere in Yakima. It’s possible that some officials would express a preference for maintaining an L&I presence downtown.
- The Bremerton and Port Angeles offices will likely be moved to other towns in their broader communities/regions. This is driven largely by the need to find acceptable space within price limits set by OFM – which are below the average market rate in the area. In the case of the Port Angeles office, the fact that electrical permits for projects within the city limits are issued by the City of Port Angeles, not by L&I, provides some additional justification for relocating elsewhere in the county to be closer to that segment of customers.

- At the Seattle office, customers who need in-person service are increasingly “voting with their feet” and choosing to visit other locations (e.g., Tukwila or Bellevue), rather than deal with the traffic and parking challenges of downtown Seattle. Thus, we don’t expect a closure would generate widespread objections from customers.

What alternatives were explored by the agency and why was this option chosen?

For Bremerton, Port Angeles and Yakima, 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, efficiency and flexibility of the work spaces.

What are the consequences of not funding this request?

Customers and L&I employees would continue to be subjected to poor office conditions, accessibility barriers and safety issues. Also, L&I is unlikely to make much progress toward the Governor’s goal of “Building a Modern Work Environment.”

How has or can the agency address the issue or need in its current appropriation level?

After extensive review and consideration, L&I is unable to afford the costs of the office relocations within its existing appropriation. The agency has already imposed an array of spending reductions or delays in the current biennium in order to launch its Business Transformation initiative, and is not able to dig deeper to accommodate the office relocations as well.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes. Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-MH, L&I HQ Maintenance & Repairs

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries' headquarters building is now 24 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 (\$1 million per biennium) to cover a variety of current and future maintenance and repair costs. The construction bonds for the building were paid off in October 2015, which eliminated \$4.1 million per year in bond payments; this savings more than offsets the requested increase in maintenance funds.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$250,000	\$250,000	\$250,000	\$250,000
609-1: Med Aid Fund	\$250,000	\$250,000	\$250,000	\$250,000
Total Cost	\$500,000	\$500,000	\$500,000	\$500,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
E-Goods & Services	\$500,000	\$500,000	\$500,000	\$500,000
Total	\$500,000	\$500,000	\$500,000	\$500,000

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.

Biennium	Allotment	Expenditure	Variance
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.

Currently, L&I has a backlog of major maintenance and repair projects that far exceeds the current biennial maintenance budget of \$800,000. Here are some examples:

- Repair roof and gutters in the rotunda, about \$500,000.
- Conduct a structural investigation of the rotunda interior walls to determine why panels are shifting and buckling, and make necessary repairs (TBD).
- Replace/repair leaky fire-sprinkler piping, \$200,000.
- Replace worn-out components (batteries, capacitors, displays and controllers) and upgrade monitoring capability for the building's backup power system (uninterruptible power supply, or UPS) that have exceeded their service life, \$236,400.
- Re-seal/repair window seals and wall joints of the north tower building, \$300,000.
- Finish replacing original, worn (24-year-old) carpet through the rest of the headquarters building, \$1.2 million.
- 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.

Proposal

To protect the state's investment in the L&I headquarters, the department proposes to temporarily increase the maintenance budget by \$500,000 per year (\$1 million per biennium) to ensure that most scheduled and emergency repairs can be completed in a timely manner without incurring over-expenditures.

L&I estimates an increase of \$500,000 per year for the next six years would allow the department to complete the projects listed above and introduce a preventative-maintenance program, with the goal of reducing the number of needed projects in the future and limiting the number of high-cost fixes.

The L&I headquarters building was funded through construction bonds paid from the Accident and Medical Aid accounts. The final payment of these bonds was made in October 2015, eliminating more than \$4.1 million per year in payments from these accounts. Thus, it's possible to increase the maintenance budget to a sufficient level without increasing overall expenditures from the workers' compensation funds.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

- 2015-17 biennium maintenance budget: \$800,000.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

L&I currently has \$800,000 per biennium to accommodate ongoing maintenance, including equipment replacement (transfer-switch replacement, sump-pump drainage replacement), safety issues (tree removal, parking-lot restriping, bicycle storage relocation), and emergent repairs. This funding level may be

adequate to cover a preventative-maintenance program for the building, but (as noted above) we have a backlog of repairs that needs to be completed prior to this being implemented.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- 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:

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

Fully describe and quantify expected effects on state residents and specific populations served.

The L&I headquarters is a major state asset that not only houses L&I employees, but also includes a customer-service center and meeting/event facility that is used by other agencies and the public. Providing proper maintenance and repair represents good stewardship of state resources. Several of the necessary repairs pose a safety risk if they are not addressed – and safety risks can ultimately translate into financial risk for taxpayers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/County effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	Yes	Identify: DES has primary responsibility for basic maintenance and repair of the building, but the cost of major repairs and replacements is L&I's responsibility. This budget package would help both agencies meet their obligations to protect this valuable state asset. In addition, the auditorium/event facilities at the L&I building are used by other state agencies that don't have similar resources in their buildings.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or effects?	Yes	Identify: This budget package is needed to cover the growing costs of maintaining and repairing the L&I HQ building. If the building and grounds are allowed to

		deteriorate, it will degrade the working conditions and increase safety risks for employees and customers.
Capital budget effects?	No	Identify:
Is change required to existing laws, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

See above table.

What alternatives were explored by the agency and why was this option chosen?

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 not funding this request?

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.

How has or can the agency address the issue or need in its current appropriation level?

Maintenance and repair costs are increasing as the building approaches the quarter-century mark. We anticipate that these costs will remain consistently higher than experienced during the first 20 years of the building's life. As we've already seen over the past few years, L&I is unable to cover the full range of maintenance and repair needs within its existing budget. More funding is essential.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: M2-PP, Apprenticeship Premium

Budget Period: 2017-2019 biennium

Budget Level: Maintenance

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking \$272,000 to accommodate increased premium spending associated with the Apprenticeship & Training Council.

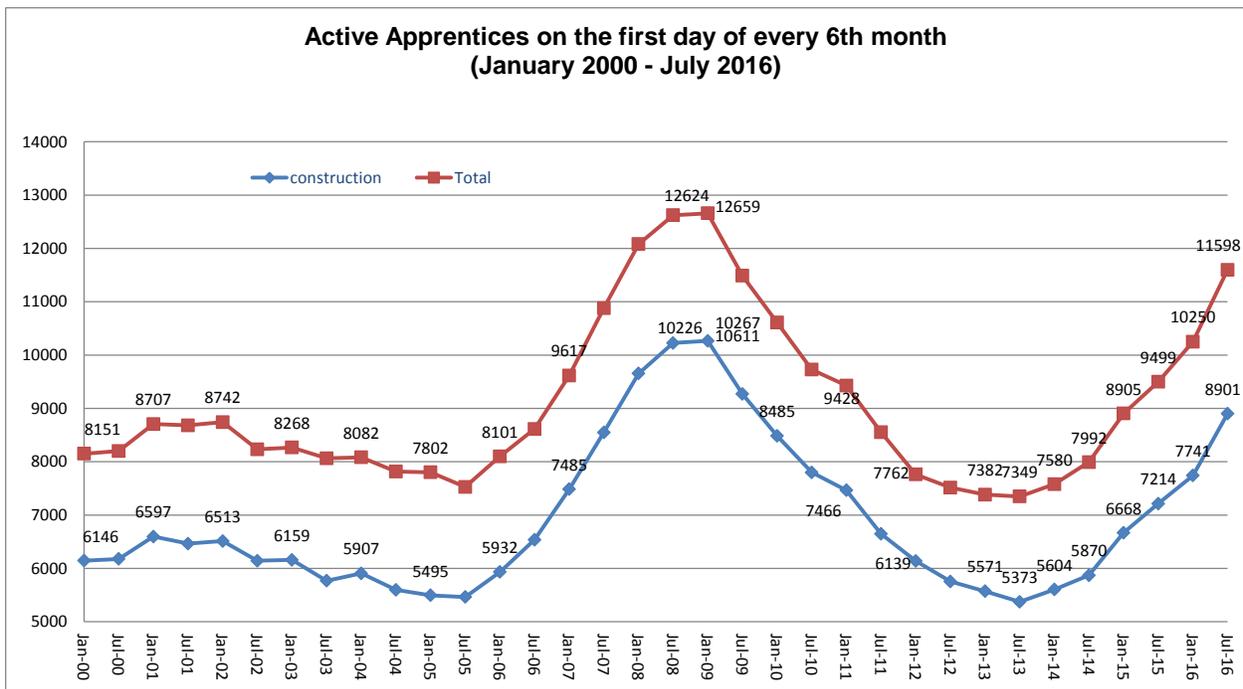
Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$116,000	\$116,000	\$116,000	\$116,000
609-1: Med Aid Fund	\$20,000	\$20,000	\$20,000	\$20,000
Total Cost	\$136,000	\$136,000	\$136,000	\$136,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
N-Client Payments	\$136,000	\$136,000	\$136,000	\$136,000
Total	\$136,000	\$136,000	\$136,000	\$136,000

Package Description

L&I currently covers the cost of industrial-insurance premiums for apprentices while they are participating in unpaid, supervised related classroom instruction. Employers cover the cost of industrial insurance premiums during the time that apprentices are in on-the-job training.

The state is in economic recovery from the great recession and the number of apprentices requiring related classroom training is increasing dramatically.



This phenomenon is not new. When the economy improves and employers begin hiring, we see apprentice numbers rise. There is also considerable national and state attention right now on expanding the apprenticeship system to new industries. If this expansion effort is sustained, the system could see industrial insurance costs escalate to a new, higher normal.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).

Apprenticeship Premium Budget	
	Dollars
15-17 biennium	\$442,532

The current budget for the Apprenticeship premium is \$442,532.

Decision Package expenditure, FTE and revenue assumptions, calculations and details: Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.

L&I is estimating that it will incur \$715,000 in expenditures for the 2017-19 biennium based on the current trends. The agency currently sets aside \$443,000 for this activity now, leaving an anticipated shortfall of \$272,000 in the next biennium.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

L&I will continue to support the state’s highest-performing workforce development program.

Performance Measure detail: In general, this proposal supports Results Washington measures related to “Quality jobs” and “Expanding opportunities” (e.g., goal 2.2)

Fully describe and quantify expected impacts on state residents and specific populations served.

L&I will continue to meet the high demand of the Apprenticeship Program as the economy continues to improve. Specifically this affects registered apprentices in unpaid, supervised classroom instruction.

What are other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

L&I has attempted to absorb this additional cost, but has not been able to achieve the historic vacancy rate previously used for items like this. **The preferred alternative** to increasing appropriated funding is to have this expenditure be available from non-appropriated funds (similar to workers' compensation benefits). This would allow the department to address economic fluctuations that affect benefit levels without affecting the agency's operating funds.

What are the consequences of not funding this request?

The department will need to re-prioritize spending to continue this program.

How has or can the agency address the issue or need in its current appropriation level?

The department does not have the capacity to absorb this spending. The department would need to re-prioritize spending to continue this program.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-BT, Business Transformation

Budget Period: 2017-19 biennium

Budget Level: Policy

Agency Recommendation Summary Text:

The Department of Labor & Industries' efforts to streamline and modernize operations and to deliver responsive customer service are being hamstrung by inflexible, outdated technology. Despite numerous process improvements that will help save hundreds of millions of dollars, the agency's aging technology systems often pose a roadblock to further progress – and it's getting harder to find job candidates trained in the programming languages that support these applications. The Department of Labor & Industries (L&I) is proposing to replace its website and provider credentialing system, and to take the next steps toward creating a modern, integrated technology infrastructure to flexibly support the needs of the agency and its customers far into the future.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$6,079,000	\$2,342,000	\$1,045,000	\$1,045,000
609-1: Med Aid Fund	\$5,986,000	\$2,256,000	\$959,000	\$959,000
Total Cost	\$12,065,000	\$4,598,000	\$2,004,000	\$2,004,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	24.3	22.2	16.0	16.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$1,868,000	\$1,727,000	\$1,253,000	\$1,253,000
B-Employee Benefits	\$721,000	\$667,000	\$483,000	\$483,000
C-Contracts	\$8,720,000	\$1,828,000	\$0	\$0
E-Goods & Services	\$507,000	\$357,000	\$257,000	\$257,000
G-Travel	\$19,000	\$19,000	\$11,000	\$11,000
J-Capital Outlays	\$230,000	\$0	\$0	\$0
Total	\$12,065,000	\$4,598,000	\$2,004,000	\$2,004,000

Package Description

L&I has a strong commitment to Lean-based improvement processes. These efforts have led to healthier outcomes for injured workers and better customer service, and they've helped to reduce costs, including a projected \$500 million savings in the workers' compensation system. But too often, these efforts have run into technology roadblocks that force the agency to continue tolerating inefficient, counterproductive processes that are frustrating for staff and customers alike. The problems are numerous.

A large, aging infrastructure ~ L&I currently operates more than 200 different computer systems and subsystems used by more than 30 service-delivery and internal-support programs. The systems were installed over a period of more than 30 years and now encompass multiple generations of technology and more than 40 programming and scripting languages. This requires a wide variety of skills and cross-

training of IT staff as well as front-end users, which increases costs and complexity. An aging IT workforce, including individuals with hard-to-find legacy technical skills who are nearing retirement, will make it very difficult to support the current technology environment in the future.

Custom-built systems ~ Most of L&I's applications are custom-built, including many that have been maintained over decades. This results in overly complex legacy coding, in languages where skills are currently hard to find.

Redundancy and lack of integration ~ Over the years, numerous computer systems and software were added to support new programs and policies adopted by the Legislature, or to enhance services or address gaps in existing systems. As a result, there are multiple areas of functional redundancy, with duplicative applications performing very similar functions – even within a single L&I program. This redundancy and lack of integration make it difficult for the agency to reconcile similar data across different applications and drives up support costs.

When customers interact with any part of L&I, they may believe they're dealing with "one L&I," but in reality, L&I employees are unable to view a customer's relationship with the agency beyond their own program – and even then, the customer may be subjected to duplicative processes.

EXAMPLE: L&I's Collections Program is responsible for collecting penalties, unpaid wages, past-due employer premiums, overpayments to providers and injured workers, etc. The program currently has separate computer systems and different business processes for handling various types of debt, and is unable to produce a single, combined invoice for a customer who owes more than one kind of debt to L&I. An employer may owe workers' comp premiums *and* penalties *and* unpaid wages. Due to the lack of system integration, the employer receives multiple invoices, which is inefficient and frustrating.

Some employees attempt to deliver comprehensive customer service by accessing specialty databases and/or creating internal relationships and manual work-arounds. Besides being inefficient, these good intentions can result in errors.

Customer expectations ~ Customers (178,000 employers, 2.5 million workers, and more than 90,000 medical and vocational providers) are frustrated and confused by L&I's lack of seamless services. There are multiple ways for customers to "enter" L&I (phone, mail, email, website, field offices), but no centralized system for tracking these entries to avoid duplication and ensure consistency. A large percentage of customers and the general public attempt to find information on L&I's website – increasingly on mobile devices – and they're overwhelmingly unsatisfied with the 13-year-old website and its lack of accessibility from mobile devices.

EXAMPLE: Benchmark studies from 2003 to 2015 indicate L&I's website usability scores fell from 83 percent to 66 percent among businesses. The satisfaction rate among homeowners plunged to 41 percent, and injured workers reported only a 34 percent satisfaction rate. Common complaints include a cluttered homepage, complex navigation, confusing terminology and technical references, lengthy content and too many links, menus and topics per page.

Staff frustration ~ Navigating L&I's technology maze is challenging for L&I employees. It complicates the training process and makes it difficult for them to deliver high-quality, effective service to their customers.

EXAMPLE: The workers' compensation system (including both policy and claims) uses more than 80 different systems and software, which requires claim managers and employer account managers to log-on to multiple systems to gather information to provide personalized service based on the individual needs of a worker or employer. For example, a claim manager must access and navigate at least 5 different computer systems to review,

make decisions, record and take actions on a single claim. This can cause significant delays (and higher costs) in getting the right resources assigned in a timely manner.

Databases ~ L&I has a hundreds of databases, including a very large central “data warehouse” that receives data from numerous systems throughout the agency. Data are transferred into about 1,300 tables on various schedules (e.g., daily, weekly, monthly, quarterly or annually). In addition to the regularly scheduled data loads, user-specific tables are created and stored outside of the data warehouse in program-specific databases. Since there’s no agency-wide data strategy, different parts of the agency tend to view data needs differently. As a result, these systems may contain duplicative data that are recorded differently (such as different ways of defining and recording addresses). This makes it harder to synchronize and compare data across the agency, thereby reducing the value and usefulness, in addition to driving up costs. The wide array of databases, the non-uniformity of data, and the lack of a consistently applied record-management approach also: 1) results in excessive storage of records that aren’t required to be retained, and 2) make it very challenging to retrieve records to respond to public-record requests in compliance with the law.

Costs ~ A recent consultant analysis found that 72 percent of L&I’s IT budget is spent on application support, hardware and software. The norm for other state and local government agencies is about 52 percent. Much of the excess expense is driven by L&I’s legacy systems (e.g., the workers’ compensation computer system costs twice as much as the next application on the cost list).

Lack of modern efficiencies ~ Despite L&I’s extensive array of computer systems and software, there’s also a lack of modern features that could save money and make it easier for the IT staff to support the agency’s technology needs.

EXAMPLE: If L&I were to use cloud computing to rapidly create server environments to test and prepare configurations for production installations, the environments could then be removed to conserve resources. Instead, the L&I has to ensure the underlying physical servers have capacity to create a virtual server for this work. Over time, it is necessary to continually monitor the physical server resources and acquire new resources as needed, which adds time and expense.

End-of-life challenges ~ Nearly all of L&I’s technology systems will need to be replaced at some point in the coming years, but some are closer to expiring than others. One example is the Provider Credentialing System. During the initial development of L&I’s Medical Provider Network (MPN), completed in January 2013, L&I acquired commercial software (VISTAR VIP) to store and track the credentials of participating medical providers. The system validates which providers are authorized to provide treatment through the workers’ compensation system; helps L&I avoid payments to unauthorized medical providers; and supports timely processing of payments to authorized providers (which makes providers more willing to join the MPN. These and other features of the MPN are saving the workers’ compensation system an estimated \$35 million per year, so it’s important to keep it running smoothly.

Unfortunately, the current version of the VISTAR software is being phased out by the vendor. While the company has not set a firm end date for the product, L&I has been told the software has a limited future. Further, VISTAR has indicated the volume of records in the database is nearing capacity, and L&I is experiencing problems likely related to the capacity limit. Credentialing software is critical to the success of the Medical Provider Network, and L&I must quickly determine the best solution.

If the Medical Provider Network is left without a functional credentialing system, injured workers won’t have up-to-date information about approved providers; provider payments will be delayed, causing providers to drop out of the network; and it would be difficult to avoid issuing payments to unauthorized providers. The benefits of replacing the current, end-of-life system far outweigh the estimated costs.

What we've done so far

LINIIS migration ~ In 2015, L&I secured funding to migrate its oldest legacy system (Labor & Industries Industrial Insurance System, or LINIIS, launched in 1986) from a mainframe to a Windows environment. The purpose was to stabilize the system and make it somewhat easier to maintain while awaiting a full replacement. The migration did nothing to improve functionality or reduce manual processes for workers' compensation staff and customers.

Business Transformation plan ~ As L&I began planning the next phase of replacing LINIIS, it became apparent we need to address more than just LINIIS. Tackling technology updates one computer system at a time would run the risk of perpetuating siloed operations and missing the opportunity to streamline operations and deliver a better customer experience across the agency. As a result, L&I decided to embark on a full cross-agency "business transformation" to better achieve its mission of keeping Washington safe and working.

L&I worked with a consultant from late 2015 through early 2016 to envision how the agency would *like* to operate and to develop a roadmap for getting there. The roadmap groups all L&I functions within one of three lines of business: prevention, recovery or internal support services. Viewing future technology acquisitions through these three lenses is intended to promote cross-program solutions and greater integration.

L&I's business transformation calls for modernizing the department's extensive technology infrastructure and corresponding business processes over several years. The consultant analyzed the agency's entire portfolio to identify areas of functional redundancy and to validate whether vendor-packaged software (rather than custom builds) could support the agency's needs. Some of the key challenges identified during the analysis included:

- Multiple areas of functional redundancy.
- Cumbersome and expensive to maintain.
- Custom-built, overly complex legacy applications.
- Scarcity of needed technology skills.

Based on the strategies and goals identified in the business-transformation planning phase, L&I envisions a future state that is drastically different from how it operates today in relation to processes, technology and people. The business transformation initiative will help L&I achieve the following:

- Strategic alignment ~ Identify and address any strategic considerations that should be resolved prior to a full transformation, including issues like cross-divisional data definitions, structures and governance.
- Simplification ~ Simplify the technology environment by consolidating legacy applications into core applications, each of which supports multiple capabilities.
- Best-of-breed processes ~ Leverage commercial-off-the-shelf (COTS) application solutions, which provide the following advantages:
 - They typically have industry-standard business processes embedded into them. L&I may benefit from the knowledge that software vendors have gained from implementing the software at similar clients.
 - Long-term development costs are lower, although some costs are likely to be shifted to integration costs.
- Cloud ~ Leverage software-as-a-service (SaaS or cloud) solutions as much as possible. They typically have shorter implementation timelines than custom-built systems and lower implementation costs. SaaS projects also may be funded through relatively smaller annual operating costs rather than large initial capital costs.

The goal is to acquire industry-standard systems that are easier to maintain, support streamlined cross-agency processes and deliver a more seamless customer experience – rather than continuing to force-fit

agency operations into the current technology's limited capabilities. It also would solve the challenge of trying to hire IT employees who are familiar with outdated computer languages.

Business Transformation core team ~ To help lead these efforts, L&I is forming a core team to help L&I leadership and the entire agency to maintain momentum and an agency-wide perspective while implementing the roadmap, which calls for a series of technology and process-improvement projects over several biennia. Besides leading a variety of improvement projects (both IT and non-IT), the core team will ensure L&I's technology acquisitions meet the agency's integration needs; keep initiatives alive and aligned; help staff absorb the many changes; and ensure progress toward L&I's aspirations. Here are some examples of projects envisioned over the next 2-3 years.

- Preliminary work to prepare for a customer relationship management (CRM) system (to be requested in a future biennium). Early efforts will include mapping L&I's current customer-service process/es, making short-term improvements that don't require technology, confirming/testing customer personas to be used in the requirements-development phase, etc. This work, combined with results from a comprehensive information and data strategy (see budget request below), will help to inform the business requirements for the CRM system.
- Improve the knowledge and ability of L&I employees throughout the agency to connect customers with the right person or unit to address their issues. Efforts will include better staff training and improved reference materials. (Make it easier to do business with L&I.)
- Develop a user-solution lab where employees and stakeholders can bring challenges and work with L&I staff to develop solutions. The lab will use a collaborative-design approach to rapidly prototype, test and improve solutions before they're broadly deployed.

L&I has already redeployed some existing resources to get the business transformation started and will redirect additional personnel (either temporarily or permanently) to the core team as well as to individual transformation initiatives as they occur. Redeployed personnel will be used for the business transformation director, communications lead, administrative support, and several project and portfolio managers. However, the agency lacks some skills that will be essential to the success of the business transformation plan, and will seek additional personnel and contractor funding through this decision package.

What we're proposing

L&I's business transformation roadmap provides some initial guidance for sequencing the broad scope of technology and business processes to be replaced or reformed, and further details will be identified through initial feasibility studies and the development of business requirements. This decision package would enable L&I to quickly add value to customers by rebuilding the existing website; establishing a business-transformation team to lead and support projects on the business-transformation roadmap; kicking off the initial or next steps for three technology projects; and replacing the end-of-life provider-credentialing product. All of these investments are essential to the success of L&I's business transformation process.

1. **Rebuild L&I's website** to improve the overall quality of the site and to make it easier for customers to find and understand the information they need. The result would be a customer-focused, task-based organizational structure with simpler navigation, written in plain talk and meeting federal disability-accessibility requirements. This effort would help more customers find what they're looking for without having to call L&I for assistance – and would support the agency's goal of "Making it easier to do business with L&I." The budget request includes project FTE for the rebuild effort and two permanent FTE to do a better job of maintaining the quality of the website in the future.
2. **Business Transformation implementation and continuity** ~ In addition to redeploying existing resources (as described above) for the Business Transformation core team, this decision package seeks funding for six additional positions plus contract dollars to acquire skills not currently available within the agency. These include organizational change management* (2 positions plus contract funds); line-of-business transformation leadership (2 positions); customer/user research, analysis and advisor in

support of various business-transformation projects (1 position); a high-level business architect (1 position plus contractor) and system integrator (contractor) to plan L&I's technology acquisitions and ensure they work together; risk-management/quality-assurance and strategic advisors (contractors); and a 7 percent contingency reserve.

**The Office of the Chief Information Office (at WaTech) has stressed the need for effective change-management leadership to ensure L&I personnel anticipate, accept and adapt to the substantial technology and process changes that will be occurring throughout the business transformation effort.*

Without the resources requested in this decision package, the business transformation effort will not be successful.

3. **Develop business requirements** for the technology work streams described below. For three of the projects, the goal is to be ready, by the start of the 2019-21 biennium, to issue requests for proposals (RFPs) for implementing the identified solutions – assuming funding is approved by the Legislature and Governor. The fourth project likely would be implemented in the 2017-19 biennium, depending on information gathered between now and the end of FY 2018. Here's more background on each project; cost details are in the "Decision Package" section below.

i. **IT infrastructure assessment** ~ Identify gaps with the current state of the agency's technology and develop a strategy to prioritize and leverage current and future technology, such as cloud and mobile technology, to reduce the time and cost for continual improvement. It also would examine the agency's capability to manage IT services through the adoption of IT Service Management (ITSM) practices that have matured in the last five years to address modern computing capabilities.

ii. **Workers' compensation claims and policy legacy systems (LINIS and ancillary systems)** ~ To replace our workers' compensation computer systems, we need a comprehensive analysis of their capabilities, gaps and unique features; a feasibility review of what COTS products are available to meet our needs (including vendor demonstrations of how their products would work for L&I); and recommendations on next steps and sequencing for implementation.

Ultimately, both the claims and policy systems need to be replaced; however, if the feasibility study indicates it would be too difficult to tackle both systems at the same time, the claims system will be the first priority. The goal is to be ready to submit a budget decision package by September 2018 for the 2019-21 biennium, and to issue the first RFP in June 2019. As part of the review and feasibility process, L&I will identify opportunities to continue improving processes – both to benefit customers and to prepare for the new technology.

iii. **Information and data strategy** ~ L&I needs to consolidate its existing collection of databases into fewer computing platforms, with better alignment of similar/like data throughout the agency. The agency is proposing to develop a comprehensive information and data strategy, which would then guide long-term data-design and -management decisions, including the selection of future database solutions, acquisition of a customer relationship management system (see next budget item), and other technology decisions along the business transformation roadmap.

iv. **Provider Credentialing System** ~ In an ideal world, the decision about replacing the provider-credentialing system would be made after a new claims-management system is selected. However, the timeline for having a new claims system in place is likely 5-7 years away, and VISTAR probably won't support the existing product that long. Being without a credentialing system would create chaos in the Medical Provider Network.

As an alternative, L&I proposes to gather business requirements for provider credentialing as part of the claims-system project (see above) in FY 2018. That information, coupled with the results of vendor demonstrations of claims-management COTS systems, would be used to select and implement (in FY 2019) a COTS credentialing system that meets the program's operational needs

as well as the need to integrate with the eventual claims-management system. Strong consideration will be given to Provider One, which has been adopted by several other state agencies.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).

L&I's budget for the 2017-19 Biennium does not include any funding for this program.

L&I did receive \$1.3 million in one-time funding during the 2015-17 Biennium for Business Transformation. This funding was used to hire a consultant to envision how the agency would like to operate and to develop a roadmap to streamline operations and deliver a better customer experience across the agency.

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

1. Replace L&I website to improve customer satisfaction

Personnel

- 1 WMS2 (2-year project) – IT project manager.
- 1 ITS4 (permanent) – User-interface developer.
- 3 Communications Consultant 5's (1 permanent, 2 two-year project) – Write and edit Web content

Contract and vendor costs - \$709,250

- Content strategy – 500 hrs @ \$125 = \$62,500
- UCD/UX – 2,000 hrs @ \$125 = \$250,000
- Writing support – 550 hrs @ \$125 = \$68,750
- CMS consulting – 600 hrs @ \$150 = \$90,000
- CMS software – \$50,000
- Architecture – 5% of project = \$94,000
- QA – 5% of project = \$94,000

2. Business Transformation Office

Personnel – all permanent

- 3 WMS3
 - Change-management lead
 - 2 “line of business” leads – track & coordinate all business-transformation-related improvement projects.
- 1 WMS2 - IT business architect
- 1 Management Analyst 5 ~ change-management support
- 1 Management Analyst 4 ~ customer/user research, analysis and advice

Contract and vendor costs - \$2,810,000

- Business architect - \$450,000
- Change-management - \$650,000
- System integrator - \$625,000
- Strategic advisors - \$200,000
- Risk advisor / QA - \$250,000
- Contingency (6.8%) - \$700,000

3. Four technology work streams: These projects will rely largely on contractors to provide research, analysis and recommendations. The contractors' will be tasked with completing enough work by the summer of 2018 so L&I has the information needed to submit budget decision packages (if appropriate) for the 2019-21 biennium and to issue initial RFPs by June 2019. Each project will have

an L&I project manager and 1 or 2 IT specialists for business analysis and other work in support of the project. For projects ii and iii, we assume the project-management and -support positions will remain in place through at least the 2019-21 biennium or until the technology projects are implemented.

- i. **IT Assessment** ~ Identify gaps in current L&I technology; develop a strategy to prioritize and leverage current and future technology; examine L&I's ability to adopt of IT Service Management (ITSM) practices.

Personnel

- 1 WMS2 – IT project manager (two-year project).
- 2 ITS4 – Infrastructure engineer (one-year project) and business analyst (two-year project).
- 1 Management Analyst 3 (one-year project) – Collect and synthesize information to support analysis.

Contract and vendor costs - \$1,794,400

- IT service management – \$149,000
- IT infrastructure – \$946,200
- Mobile computing – \$276,000
- Cloud computing – \$228,000
- QA – \$158,000
- Servers, workstations and devices for testing – \$37,200

- ii. **Workers' compensation claims and policy systems** ~ L&I will hire contractors to develop high-level current-state and future-state business process documentation; identify areas for business-process improvements (both technology and non-technology); and conduct a feasibility study to help develop the implementation plan for replacing workers' compensation claims and policy systems. As part of this process, vendors will be asked to provide in-depth demonstrations of their products that L&I staff will participate in testing. The intent is to be ready to issue RFPs to acquire for a new claims management COTS product and, if possible, a new policy management product by June 2019 – with the intent to begin implementing during the 2019-21 biennium.

Personnel

- 1 WMS2 – IT project manager. Project position through the implementation phase of the IT project.
- 2 ITS4 – Business analysts. Project positions through the implementation phase of the IT project.
- 1 Management Analyst 4 (2-year project) – Collect and synthesize information to support analysis.

Contractor/vendor costs - \$2,250,000

- Current-state business process models (workers' comp Policy) – \$212,500
- Current-state business process models (workers' comp Claims) – \$480,000
- Future-state business process models (Policy) – \$175,000
- Future-state business process models (Claims) – \$240,000
- Business process improvements (Policy) – \$120,000
- Business process improvements (Claims) – \$120,000
- Project schedule – \$20,000
- Future application options & needs definition – \$321,250
(High-level requirements and guiding principles for the claims & policy software selection; organization of existing research and requirements; platform options (COTS, SAAS, build, etc.); evaluation criteria; needs assessment.)
- Future application options analysis and evaluation – \$321,250

(Interviews with workers' compensation organizations; research and analysis; demonstrations and testing; cost & timeline estimates)

- Final report and recommendations – \$240,000

iii. Information and data strategy ~ This project is an essential prerequisite to other L&I business-transformation projects to be proposed in this and future decision packages. Deliverables for the 2017-19 biennium would include: determine the current state of data and records within existing L&I computer systems that will be replaced with COTS and/or SaaS over several biennia; develop a core data model to guide acquisition of new systems (e.g., claim processing, benefit management, policy management, accounts receivable, collections, provider management, premium calculation, forecasting, etc.); identify data migration, consolidation and integration requirements to be incorporated into vendor solicitations for COTS and/or SaaS system acquisitions; and confirm related database technical architecture requirements, sequence of system/sub-system replacements and identification of significant, critical migration dependencies.

Personnel

- 1 WMS2 – IT project manager. Project position through the implementation phase of the IT project.
- 1 ITS4 – Business analyst. Project position through the implementation phase of the IT project.

Contract and vendor costs - \$1,691,300

- Data strategy – 9,396 hrs @ \$180 = \$1,691,300

iv. Provider Credentialing System ~ L&I is proposing to select and implement a provider-credentialing software solution to replace the current system that is being phased out by the vendor. The Business Transformation core team will provide project management for this project, so no separate project manager is requested.

Personnel

- 1 ITS4 – Business analyst, permanent to provide ongoing support.
- 1 ITS4 – Tester; 2-year project. This position also will be used on the Web replacement project (described above).

Contract and vendor costs - \$1.4 million

- Systems development – 12,000 hours @ \$100
- EAO solutions architecture – 1,374 hours @ \$150

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Making online information easier to find and easier to understand would greatly improve customer satisfaction.
- Increased *successful* use of online resources should reduce the number of callers (and complaints about the website) – thus freeing up staff to provide faster service to customers who cannot be served online.
- The website will be mobile-friendly – thus meeting the fast-growing use of mobile devices to access L&I information and services.
- Efforts to analyze business requirements for future technology investments should help to uncover immediate or short-term process improvements (e.g., low-hanging fruit) that are not dependent on the subsequent technology projects.

- This budget package will yield plans and strategies for taking the next essential steps toward modernizing and reforming L&I’s outdated, inefficient technology infrastructure.
- By creating an agency-wide information and data strategy, L&I will be able to:
 - Reduce the overall number of databases and improve the quality of information available from them. As a result, data and records would more available to L&I managers and employees who need them, thus allowing for better planning and better decisions across a broad spectrum of endeavors.
 - Improve record-retention practices and reduce the amount of unnecessary record storage (thus saving money).
 - Improve responsiveness to records requests.
- Ability to continue supporting the Medical Provider Network (MPN).
- Updated credentialing software would save time, reducing the many work-arounds that are currently in place to process MPN applications.
- A properly functioning Provider Credentialing System is essential to avoid loss of providers in the Medical Provider Network; inappropriate medical payments; and confusion for injured workers about accessing approved providers.

Performance measure detail (Results WA)

There are no direct Results Washington measures, but this decision package is generally supportive of Goal 5 (related to efficient/effective government, customer satisfaction and transparency) and Goal 4 (healthy, safe, supported people).

Fully describe and quantify expected effects on state residents and specific populations served.

- Currently, more than 70 percent of L&I customer interactions occur online. These customers (injured workers, medical providers, employers, contractors, crime victims and anyone else who does business with L&I) will benefit from having access to a website where information is easier to find, easier to understand and accessible via mobile devices.
- In the long-term, customers and taxpayers will benefit from efforts to modernize L&I’s technology infrastructure and streamline processes.
- Maintaining timely, accurate records of approved healthcare providers (through a provider credentialing system) helps:
 - Injured workers identify doctors who are able to provide ongoing care in a timely manner.
 - L&I or self-insured employers avoid making payments to non-approved providers – thus avoiding unnecessary costs for the workers’ compensation system that can drive up employers’ rates.
 - Avoid delays in paying approved healthcare providers.
- If the credentialing system does not work well, providers may choose not to become credentialed to treat injured workers. This could result in provider shortages that would be detrimental to the healing process for injured workers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/County effects?	Yes	Identify: Local governments are among the employers who access L&I’s website.
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:
Other state agency effects?	Yes	Identify: State agencies are among the employers who access L&I’s website. In the long run, some state agencies also will be

		affected – probably for the better – by L&I’s efforts to modernize its overall technology infrastructure, especially involving data transfers/exchanges.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or effects?	Yes	Identify: In the short-term, we’ll need to accommodate additional FTE to oversee Business Transformation and to develop and implement the technology projects. In the long-term, better technology would improve L&I’s workplace flexibility, thus enabling more employees to telework effectively. This would reduce the pressure to expand L&I’s footprint as we add employees in response to state growth.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General’s Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

See notes in table above.

What alternatives were explored by the agency, and why was this option chosen?

We’ve spent decades working around the hurdles posed by the existing technologies and technological gaps. Ultimately, newer technologies will cost less to support and provide opportunities for streamlining operational processes and improving customer service.

What are the consequences of not funding this request?

- L&I’s technology will fall further behind the curve, increasing the risk of failure and making it increasingly difficult to hire employees with the skills to support the legacy systems.
- Customers will continue to be frustrated with the lack of online information and services, as well as our duplicative and confusing processes.
- L&I’s website will remain inaccessible for those using assistive technologies or mobile devices.
- Customers will continue to struggle to understand their requirements and rights when using L&I’s website.
- Responding to public records requests will continue to be unnecessarily difficult – with a higher-than-necessary risk of being incomplete.
- L&I’s efforts to re-engineer its business processes could not be fully implemented.
- At some point, the current software (VISTAR VIP) for tracking provider credentials will no longer be supported by the vendor.

- If L&I cannot adequately track provider credentials, payments to providers (by L&I and self-insured employers) will be delayed or inaccurate, causing re-work and late-payment penalties. Also, providers may choose to leave the MPN, thus depriving injured workers of their services.

How has or can the agency address the issue or need in its current appropriation level?

We will continue to look for opportunities to improve operational processes that do not require a technology solution – but some of the most onerous and inefficient processes cannot be corrected without technological changes, which will require project funding. With regard to the Provider Credentialing System, we don't have capacity within the current budget to embark on this project without reducing operations or service elsewhere in the agency.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes. Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as "IT-related costs")

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
WMS2, IT Project Manager	\$623,000	\$563,000	\$422,000	\$422,000
ITS4, IT Business Analysts	\$846,000	\$630,000	\$503,000	\$503,000
ITS4, IT Tester	\$142,000	\$127,000	\$0	\$0
ITS4, IT User Interface Developer	\$141,000	\$126,000	\$126,000	\$126,000
Management Analyst 4, Subject Matter Expert	\$137,000	\$122,000	\$0	\$0
Communications Consultant 5, Web content writers/editors	\$422,000	\$377,000	\$126,000	\$126,000
Management Analyst 3, Subject Matter Expert	\$119,000	\$0	\$0	\$0
IT Assessment – Service Management	\$149,000	\$0	\$0	\$0
IT Assessment – Infrastructure	\$946,000	\$0	\$0	\$0
IT Assessment – Mobile computing	\$276,000	\$0	\$0	\$0
IT Assessment – Cloud computing	\$228,000	\$0	\$0	\$0
IT Assessment – Servers	\$7,000	\$0	\$0	\$0
IT Assessment - Workstations for mobile app testing, configuration and deployment	\$18,000	\$0	\$0	\$0
IT Assessment - Handheld devices for mobility testing	\$12,000	\$0	\$0	\$0
Multiple – QA	\$195,000	\$0	\$0	\$0
Information and Data strategy	\$1,692,000	\$0	\$0	\$0
Web Replacement - Content strategy	\$63,000	\$0	\$0	\$0
Web Replacement - User/Center Design and User Experience	\$250,000	\$0	\$0	\$0
Web Replacement - Writing Support	\$69,000	\$0	\$0	\$0
Web Replacement – Content Management System (CMS) Consulting	\$90,000	\$0	\$0	\$0
Web Replacement - CMS Software	\$50,000	\$0	\$0	\$0
Web Replacement and Provider Credentialing - Architecture	\$140,000	\$103,000	\$0	\$0
Provider Credentialing - Systems Development	\$600,000	\$600,000	\$0	\$0
Claims/Policy – Project mgmt., gap analysis, high-level requirements, market analysis, RFI and feasibility study	\$1,125,000	\$1,125,000	\$0	\$0
Total Cost	\$8,340,000	\$3,773,000	\$1,177,000	\$1,177,000

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-CM, Enhancing Claims Management

Budget Period: 2017-2019 biennium

Budget Level: Policy

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking to fully implement the recommendations of the Joint Legislative Audit & Review Committee (JLARC) aimed at improving outcomes for injured workers while also reducing workers’ compensation costs. To fulfill the recommendations, L&I must reduce claim managers’ caseloads and improve the current training program to better enable them to strategically recognize, triage and resolve claims that have a high risk of long-term disability. This request builds on previous investments that have successfully reduced the rate of long-term disability among injured workers and generated hundreds of millions in savings.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$925,000	\$827,000	\$1,474,000	\$2,081,000
609-1: Med Aid Fund	\$928,000	\$1,129,000	\$2,035,000	\$2,909,000
Total Cost	\$1,853,000	\$1,956,000	\$3,509,000	\$4,990,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	4.2	18.0	34.0	50.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$304,000	\$1,044,000	\$1,963,000	\$2,877,000
B-Employee Benefits	\$117,000	\$403,000	\$758,000	\$1,110,000
C-Contracts	\$1,304,000	\$0	\$0	\$0
E-Goods & Services	\$87,000	\$355,000	\$606,000	\$837,000
G-Travel	\$1,000	\$6,000	\$13,000	\$18,000
J-Capital Outlays	\$40,000	\$148,000	\$169,000	\$148,000
Total	\$1,853,000	\$1,956,000	\$3,509,000	\$4,990,000

Package Description

About 9 percent of all injured workers account for about 85 percent of workers’ compensation costs for the “state fund,” administered by L&I. The vast majority of these workers initially suffer mild to moderate injuries that should not necessarily result in long-term disability. Reducing preventable disability is a priority for L&I and the state Legislature, and it remains the critical policy, clinical and financial issue in workers’ compensation (and healthcare generally).

In 2011, the Legislature adopted a series of reforms aimed at reducing long-term disability and the related costs for injured workers. In addition to those reforms, the state has provided more technical resources (e.g., occupational nurse consultants and vocational services specialists) to assist claim managers in ratios closer to those of other workers’ compensation organizations. L&I also hired some lower-cost claim

processors to handle a lot of the administrative tasks, thus freeing up claim managers to focus on helping employers and injured workers with light-duty, return-to-work options and accessing timely medical and rehabilitative services so the workers heal and return to work. These investments, along with other initiatives, have helped to reduce the rate of long-term disability among injured workers in Washington and generated hundreds of millions of dollars in savings; however, they've done little to ease the claim managers' caseloads, which far exceed the recommended average (as discussed further below).

The 2011 legislation also directed JLARC to conduct a performance audit of workers' compensation claims management at L&I. The JLARC recommendations were issued in 2015. Among other things, they call for instituting standards for early phone contact on workers' compensation claims as well as improved claim-management planning and claims documentation. These approaches require spending more time on each claim, and claim managers would need specialized training to recognize and triage claims that have a high risk of developing long-term disability. To fully implement these recommendations and accomplish the next big push in the state's efforts to avoid preventable disability, L&I needs more personnel, funding for specialized training and additional technology. Here's more background on the investment needs.

1. **More personnel** ~ As the JLARC report noted, the average caseload recommended by a panel of experts for the workers' compensation industry is 141, yet L&I's caseloads currently average about 250 claims per claim manager (there are currently 217 claim managers). Without adequate claims management, some injured workers and their employers can't get the support they need, at the right time, to promote timely healing and return to work. This not only costs the workers' compensation system and employers more money, but also creates a financial hardship for the workers and their families, since time-loss benefits cover only a portion of a worker's lost wages.

L&I proposes to begin phasing in additional claim managers to gradually reduce average caseloads. The goal is to give claim managers more time to actively engage employers and injured workers early in each claim, and to ensure that every claim at risk of long-term disability includes a return-to-work or vocational-recovery plan, medical management and claim-resolution plan.

- The first group of additional personnel (14 positions) would be added in July 2018.
- The second group (15 positions) would be added in July 2019 to continue ratcheting down the average caseload level and maintain supervisory and support-staff ratios.
- The third group (12 positions) would be added in July 2020, if needed – taking into account the combined effects of the initial wave of additional staff plus various other initiatives and caseload projections based on the state's economy.
- The normal ratio of support personnel (supervisor, vocational services specialist, occupational nurse consultant, claim processor and office assistant) also would be included in each phase.

Based on current projections, the personnel additions proposed for fiscal years 2019, 2020 and 2021 would bring the average caseload down to 175 per claim manager – which is higher than the JLARC consultant recommended, but still would be a substantial improvement from the current level.

2. **Specialized training** ~ To achieve the desired results, claim managers need training to learn to approach and resolve injured-worker claims more strategically. L&I is proposing to modernize its current training and coaching methodologies, develop methods to train the trainers/coaches on how to teach broad strategic thinking to effectively resolve claims, instill strategic thinking into the work-check protocols, and provide more robust resource documents and materials to claim managers and the experts (such as vocational services specialists and occupational nurse consultants) who support them. This decision package seeks a combination of temporary/project staff and contract dollars.
3. **Additional technology.** L&I will need to purchase two software products aimed at supporting the accountability and accuracy of claims management.

- A. First-Call software to track and report on first calls to workers and employers. (Contract dollars only.)
- B. Work-Check software ~ A work-flow system that would make it easier for managers to verify the accuracy and timeliness of work performed by workers' compensation apprentices. This "work-checking" is a critical requirement of the apprenticeship program to assure the trainees are achieving the 80 percent accuracy requirement (of actions and decisions) to become permanent employees. Currently, the program uses a painfully manual, multi-step work-checking process involving a lot of Word forms and emailing back and forth. If anyone in the process inadvertently overlooks an email, it can have implications for the trainee as well as for the injured worker and employer (if inaccuracies are missed).

L&I wants to purchase and implement work-checking technology that would help to improve the workflow by eliminating redundancy and duplication; automatically alert managers about work that is ready to be checked; provide automated features that improve both the review process and outcomes for trainees; perform automated scoring to ensure consistency and objectivity; and allow trainees to track their progress and remaining requirements.

The work-checking software would be a stand-alone work-flow system that would not need to interact with other L&I computer systems; thus, implementing it at this time would not interfere with the agency's long-term business transformation technology roadmap.

Previous disability-prevention investments aimed at helping injured workers get effective services faster have succeeded in reducing long-term disability among injured workers and saving many millions of dollars. While we cannot project how much these new investments might save, we do expect they would more than pay for themselves.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).

Claims Management Program	FTE	Dollars
15-17 Biennium	398.5	\$60,663,687

The Claims Management Program consists of Claims Administration, Claims Operations and Claims Specialty Units, which include operations managers, worker' compensation adjudicators, office assistants program coordinators, medical specialists and supervisors.

Occupational Nurse Consultant	FTE	Dollars
15-17 Biennium	25	\$6,097,282

The Occupational Nurse Consultant program consists of occupational nurse consultants, clinical nurse specialist supervisor and program specialist.

Return-to-Work Partnerships/VSS	FTE	Dollars
15-17 Biennium	26	\$4,302,870

Return-to-Work Partnerships includes vocational service specialists, industrial insurance and industrial insurance compensation unit supervisors.

Regional Claims Management	FTE	Dollars
15-17 Biennium	64.2	\$11,207,075

The Regional Claims Management Program includes regional managers/supervisors, worker compensation adjudicators, program coordinators, occupation nurse consultants, vocational service specialists, and occupational therapists.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

As noted above, additional claims personnel would be implemented over four years in the 2017-19 and 2019-21 bienniums. The four-year phase-in will allow time for ongoing evaluation to gauge the effectiveness and progress toward reducing caseloads; if necessary, the timing and size of the second and third groups in the 2019-21 biennium could be adjusted. Here's what we propose for the 2017-19 biennium:

- FY 2018 would focus on developing the new training curricula and coaching protocols (training and change-management contractors plus 5 non-permanent positions to augment existing trainers and coaches during the startup phase); acquiring and implementing the new technology (project FTE plus contractors); preparing work space; and beginning the recruitment process.
- FY 2019: Hire the first group of additional claims personnel in July 2018, and implement the new training and protocols recommended by JLARC.

FTE details for 2017-19	Status	How many / when	
		2017-19 biennium	2019-21 biennium
Claims caseload reduction			
Workers' compensation adjudicator 2	Perm	5 on 7/1/2018	5 on 7/1/2019 5 on 1/1/2020
WCA 3	Perm	4 on 7/1/2018	4 on 7/1/2019 4 on 1/1/2020
WCA 4	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Program coordinator (claim processor)	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
WMS operations manager	Perm		1 on 7/1/2019
Administrative assistant 3	Perm		1 on 7/1/2019
Claims supervision and support resources (proportional to caseload staff)			
Claim supervisor	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Vocational services specialist	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Occupational nurse consultant	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Office assistant 3	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Training & coaching of new curricula for new hires & all existing staff			
WCA 4	Project	2 for 12 mos.	
Work-checking technology project			
WMS2 for project management	Project	1 for 12 months	
ITS4 for business analysis	Project	1 for 12 months	
PERSONNEL TOTAL		19 for 2017-19 biennium	17 on 7/1/2019 15 on 1/1/2020
Contractor costs			Cost
Training and change-management consulting		1,920 hours @ \$275	\$528,000
Work-Checking technology			\$736,076
– Systems development		3,000 hours @ \$200	
– EAO solution architecture		400 hours @ \$150	

- Quality assurance	18 hours @ \$182	
First-call technology	400 hours @ \$100	\$40,000
CONTRACTOR TOTAL		\$1,305,000

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

The potential benefits of this budget proposal include the following:

- Less risk of long-term disability and better return-to-work outcomes.
- Reduced workers' compensation costs to support rate stability or relief for employers.
- Smaller caseloads and better training would improve job satisfaction for claim managers.
- Greater confidence in how L&I manages the state's workers' compensation system.

Performance measure detail (Results Washington)

There are no Results Washington measures related to this decision package, although it is generally supportive of goals related to healthy and safe communities. Separately, L&I tracks several measures related to workers' compensation claims and preventing long-term disability.

Fully describe and quantify expected effects on state residents and specific populations served.

We don't have projections for how much this new investment might reduce worker disability or save money, but do anticipate the following benefits:

- Smaller caseloads per claim manager will help them provide quicker, more-personalized service to employers and injured workers – especially those at highest risk of becoming long-term disabled.
- Timely set-up and coordination of care for workers' comp claims tends to result in faster healing and, ultimately, a better quality of life for injured workers.
- Workers who heal and return to work faster tend to have higher earnings.
- Keeping trained workers working, rather than on disability, is good for employers and the economy.
- Reducing long-term disability saves money, which can help to stabilize or reduce workers' comp rates for employers and their workers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: Enables L&I to fully implement the JLARC performance audit recommendation issued in 2015.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:

Facility/workplace needs or impacts?	Yes	Identify: We'll need space for the additional personnel. Options likely involve reconfiguring space in the headquarters building for greater efficiency and/or leasing additional office space in the Towncenter 3 building in Tumwater.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

See comments in the table above.

What alternatives were explored by the agency and why was this option chosen?

Fully implementing the JLARC recommendation will require a sizeable up-front investment. Redirecting funds from other workers' compensation services would create new problems that would not provide a net improvement for injured workers, employers and the overall system.

What are the consequences of not funding this request?

- L&I will not be able to fully implement the JLARC recommendations, and we would miss the opportunity to create a new culture of strategic thinking.
- We'll miss the opportunity to spare some injured workers and their families from the financial and quality-of-life consequences of becoming long-term disabled.
- Workers' compensation costs (and related tax rates) would remain higher than necessary, primarily affecting employers.

How has or can the agency address the issue or need in its current appropriation level?

L&I has several programs or initiatives focused on breaking injured workers' progression toward long-term disability. They are getting good results and will continue to serve an important role in the future.

The additional reforms recommended by JLARC will require more personnel, combined with new strategic skills for all claim managers. The increased up-front investment will more than pay for itself by reducing costly long-term benefit claims and returning more injured workers to productive employment.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Here's a summary of the JLARC recommendation that this decision package addresses. The full report can be found at <http://leg.wa.gov/jlarc/AuditAndStudyReports/Pages/WorkersCompensationClaimsMgmt.aspx>.

Recommendation #1: L&I should institute standards for early phone contact, claim-management planning and clear documentation in claims management. L&I should provide a plan to JLARC and provide annual progress reports.

A. For claims that will likely involve more than 3 days away from work, institute a standard for claim managers to make phone contact with the injured worker and the employer within 1-2 business days after receiving the claim.

B. Institute claim-management planning and standardize claim-file documentation.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance and independent verification and validation) or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs.”)

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
Work-checking technology	\$736,076	\$0	\$0	\$0
First-call technology	\$40,000	\$0	\$0	\$0
Staffing	\$294,000	\$0	\$0	\$0
Total Cost	\$1,070,076	\$0	\$0	\$0

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO, as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is or enhances/modifies an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.) Yes No
3. Does this decision package fund the continuation of a project that is or will be under OCIO oversight? (See [OCIO Policy 121](#).) Yes No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-EL, Improving Language Access

Budget Period: 2017-19 biennium

Budget Level: Policy

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is seeking \$2.2 million to improve access to L&I services for customers with limited English proficiency. The funding would help L&I do a better job of meeting the needs of this population. It also would make progress under the terms of a federal agreement with the Department of Justice and Department of Labor to improve language-access services; failure to comply could jeopardize L&I's federal funding.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	\$494,000	\$592,000	\$548,000	\$554,000
609-1: Med Aid Fund	\$494,000	\$593,000	\$548,000	\$554,000
Total Cost	\$988,000	\$1,185,000	\$1,096,000	\$1,108,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	4.2	5.3	5.3	5.3
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$301,000	\$375,000	\$375,000	\$375,000
B-Employee Benefits	\$116,000	\$145,000	\$145,000	\$145,000
C-Contracts	\$175,000	\$350,000	\$250,000	\$250,000
E-Goods & Services	\$355,000	\$314,000	\$325,000	\$337,000
G-Travel	\$1,000	\$1,000	\$1,000	\$1,000
J-Capital Outlays	\$40,000	\$0	\$0	\$0
Total	\$988,000	\$1,185,000	\$1,096,000	\$1,108,000

Package Description

Washington is home to many workers with limited English proficiency. In most cases, they're immigrants, but there's also a growing workforce of temporary foreign workers hired through federal guest-worker programs (H2-A, H1-B, etc.) to address shortages of specific skills needed by this state's employers. While working here, they are covered by the state's industrial insurance system. If they are injured on the job, L&I must ensure they have access to qualified medical providers; for foreign guestworkers, this includes access to care once they return home.

The language skills of foreign-born workers varies greatly – from college-educated technology workers and academic employees who arrive with a good command of English to agricultural workers and other manual laborers who may be illiterate or marginally literate even in their native languages. They may learn to speak English well enough to get by at work and in normal daily life, but still struggle to fluently read and understand the language. Unfortunately, the workers with the greatest risk of on-the-job injuries tend to be those with the least education and greatest language barriers. Example: In the agriculture, forestry & fishing

industry, from 2008 through 2014, the percentage of Latino worker deaths was 2.6 times higher than non-Latino workers.

Navigating the workers' compensation system – from filing an injury report to understanding L&I letters and forms, finding authorized medical providers, scheduling appointments, communicating with providers about their care, accessing time-loss benefits, understanding their rights, and so on – can be complicated even for U.S.-born workers who grew up reading and speaking English. Being injured and often in pain makes everything more difficult; but throw in limited English proficiency, and the barrier can be insurmountable.

If injured workers don't receive timely, necessary medical care, recoverable injuries can turn into long-term disability. This not only costs them their livelihoods, but also drives up costs for the workers' compensation system and can result in higher industrial-insurance rates for employers.

Workers' compensation reforms in recent years have noted the importance of helping workers get timely access to medical care to promote quick healing so they can return to work with minimal delays. Investing in these kinds of efforts can deliver significant return-on-investment by avoiding long-term disability costs. L&I has implemented numerous improvements that have resulted in hundreds of millions of dollars in savings, yet recent events have demonstrated that language access remains an area for improvement.

- **Federal investigation** ~ L&I receives federal as well as state funding, and therefore must comply with both federal and state laws governing access to services. Several years ago, a federal investigation (by the U.S. departments of Justice and Labor) was triggered by a complaint alleging discrimination because of the lack of access to workers' compensation services and information in non-English languages. The language barrier made it difficult for workers to understand their rights and responsibilities and to access adequate medical care. In 2015, L&I signed a memorandum of agreement with the DOJ and DOL in which L&I agreed to adopt a language access policy; develop and implement a language access plan; create a Language Access Advisory Committee that includes representatives of employers as well as workers with limited English proficiency; and submit progress reports to DOJ and DOL. If L&I fails to comply with the terms of the agreement, the agency could lose its federal funding (currently about \$28.5 million per biennium) and face other action by the federal agencies.
- **Ag-worker forum** ~ In August 2016, L&I hosted a forum for Latino agricultural workers in Yakima County. The goals were to learn more about the workers' concerns and to share accurate information about the workers' compensation system. The agency's director and both deputy directors personally attended the forum and came away with greater awareness of the barriers facing injured workers with limited English proficiency. Examples include:
 - Confusion about the workers' compensation system ~ understanding their rights and responsibilities, how to open or re-open a claim, how time-loss benefits are determined, etc.
 - Confusion about the difference between workers' compensation benefits and other "government assistance" programs.
 - Provider challenges ~ difficulty finding and communicating with medical providers and concerns that they can't get medical care they need or expect.
 - Difficulty with L&I staff ~ feeling they are treated rudely or differently from "Anglo" workers.
 - L&I correspondence is not consistently translated into non-English languages. Even when it's provided in a language of the worker's choice, it's often a direct translation of technical information and jargon that are confusing even in English.

What we've done so far

L&I is still in the process of getting DOJ/DOL approval of its draft language access plan. Once approved, L&I will have two years to come into full compliance with the MOA. Meanwhile, the agency has already taken several actions aimed at bridging the language divide with workers, employers and providers. Here are some examples:

- Trained all L&I employees to use a telephone interpreter service to assist non-English-speaking customers
- Adopted a language access policy that directs L&I employees to ensure customers can effectively access agency services in a language they can understand.
- Designated someone to coordinate all language-access improvement projects related to workers' compensation.
- Created multi-lingual instructions on how to file a work-place injury report.
- Provided Web information in seven additional languages on how to ask questions or file a complaint.
- Made language-identification posters visible to customers in all L&I service locations.
- Conducted Spanish-language workshops for small-business owners and managers to educate them about L&I services and their workers' compensation rights and responsibilities.
- Added multi-lingual prompts to the agency's major hotline menus.
- Placed informational ads with Spanish-language newspapers and radio stations.

These actions are a good start. However, L&I will need to make additional progress not only to show good faith with the federal agencies, but also to meet its obligations to a growing segment of Washington's workforce and their employers.

What we're proposing

We started with a long list of ideas for improving multilingual services and support at L&I and whittled it down to a shorter list of investments that would have a direct effect on customers. (While technology improvements also are needed to make it easier to track services to non-English-speaking LEP customers, we will wait and consider them as part of our longer-term "business transformation" technology requests in future biennia.) The components of this decision package include:

- **Language-access specialist for injured workers** (bilingual Workers' Compensation Adjudicator) ~ Review and resolve workers' compensation claims and concerns related to customers with limited English proficiency, and provide education and outreach to stakeholders related to language access.
- **Language-access specialist for medical providers** (Medical Program Specialist) ~ Ensure injured workers receive culturally and language-appropriate service from medical providers in the L&I network. This responds to a large need identified by injured workers.
- **Worker advocates** (bilingual Program Specialists – 2 positions) to help workers with limited-English proficiency on issues spanning multiple L&I programs (not just workers' compensation). These outreach positions also would monitor how workers' questions are resolved and identify trends that could lead to additional process/service improvements.
- **Civil-Rights Program** (bilingual Financial Examiner) ~ Establish a civil-rights program to carry out a newly created civil-rights complaint process required under the terms of L&I's MOA with the U.S. departments of Justice and Labor. The program also would provide information and outreach about language-access rights, and investigate complaints.
- **Navigating the workers' compensation system (contracts)**
 - **Research and training** (\$200,000) ~ Contract with the University of Washington Department of Occupational Health and the Latino Center for Health to develop accurate information about L&I's current strengths and weaknesses in serving Latino injured workers and to develop evidence-based solutions to address identified weaknesses. One-quarter of the funding would be used to develop a training module for community-based health workers to help Latino workers navigate the workers' compensation system.
 - **Patient navigators** (\$325,000) ~ Contract with healthcare organizations to expand their current patient-navigation programs to include workers' compensation. The FY2018 money (\$75,000) would be used for up to three pilot projects; the FY2019 funding (\$250,000) would allow for fuller implementation of patient-navigation programs with up to 10 organizations on an ongoing basis.

- **Civil-rights and cultural-awareness training for L&I employees** ~ *Civil-rights* training is required by the federal agreement. L&I also wants to increase *cultural* awareness and respect among its employees.
- **Translation and interpretor services:**
 - Buy additional translations/interpretations of customer-facing communications (e.g., Web content, phone menus, advertising special outreach and education initiatives, and workers’ compensation correspondence that cannot be charged to a specific claim).
 - Increase the use of contracted interpretors for workplace inspections and consultations, employer audits, public meetings and other face-to-face encounters. Previously, the agency relied largely on bilingual employees who are not certified interpretors; however, this practice does not comply with the federal agreement and L&I’s new language-access policy.
 - Pay for agency-wide access to telephone-based interpretation services.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

L&I’s current biennial budget for this program is 4 FTE and \$1.006 million.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

FTE details for 2017-19		Status	How many	Start date
Workers’ compensation adjudicator 4 (bilingual)		Perm	1	9/1/2017
Medical program specialist 3		Perm	1	9/1/2017
Program specialist 3 (bilingual)		Perm	2	9/1/2017
Financial examiner 3 (bilingual)		Perm	1	9/1/2017
TOTAL			5	
Contractor costs			Amount	
Research & navigator training (contract with Univ. of Washington and Latino Center for Health)			\$200,000	
Community-centered navigation program			\$325,000	
Cultural-competency and civil-rights training			\$43,000	
Translation and interpretation services			\$451,000	
CONTRACTS TOTAL			\$844,000	

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Improved access to medical care for injured workers with limited English proficiency (LEP) will help them heal and return to work faster – which benefits them financially and helps to contain workers’ compensation costs.
- Compliance with the federal agreement will help protect L&I’s federal funding and head off additional sanctions by DOJ and DOL.
- Among L&I staff, we hope to increase their respect for cultural differences and the challenges of navigating L&I for LEP workers.
- Cultural sensitivity and multi-lingual access will be improved among medical providers in L&I’s medical provider network.

Performance measure detail (Results Washington)

There are no Results Washington measures directly related to this decision package. However, it is generally supportive of the goals related to healthy communities, thriving Washingtonians and efficient, effective government (e.g., customer satisfaction).

Fully describe and quantify expected effects on state residents and specific populations served.

L&I customers with limited English proficiency will gain better access to L&I information and services, including workers’ compensation medical services, in languages they understand. In turn, this should lead to better outcomes for injured workers and improved satisfaction with L&I services.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	Yes	Identify: Customers with language-access needs live throughout the state. By meeting their language needs, we expect to increase the appropriate use of L&I-approved medical providers, rehabilitative services and other services in every community.
Other local gov’t effects?	No	Identify:
Tribal gov’t effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: Several of the components of this decision package are specifically required under an MOU with the U.S. departments of Justice and Labor. It’s also consistent with the goals of the Governor’s Interagency Council on Health Disparities, which strives to eliminate health disparities by race/ethnicity and gender.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	Yes	Identify: We’ll need to provide workspace for 6 additional personnel, which should be covered by the normal start-up costs.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General’s Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

See notes in the table above.

What alternatives were explored by the agency and why was this option chosen?

We collected a list of more than two dozen ideas for improving how L&I serves customers with language-access needs. We pared the options down to a core set that will result in direct service improvements for the target audiences. These proposed investments represent a good start toward addressing the concerns of our

federal oversight agencies and worker representatives, but they're far from comprehensive. We may submit additional budget requests in future biennia to make further progress.

What are the consequences of not funding this request?

- If we are found out of compliance with the federal MOA, L&I could lose its federal funding and potentially face other actions by the federal DOJ and DOL.
- Advocates of Latino workers are increasingly vocal about their concerns with the workers' compensation system. Failure to do a better job of providing language-appropriate services could result in formal complaints and potentially civil lawsuits

How has or can the agency address the issue or need in its current appropriation level?

As noted in the background section of this decision package, L&I has already taken a number of actions to improve access to interpreters, translated materials, etc. We will continue to make progress through greater awareness – but there are some specific needs that cannot be met at the current resource level without reducing service somewhere else.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

- 2015 memorandum of understanding with U.S. departments of Justice and Labor:



Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

- No 
- Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 Biennium Budget Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-FC, Dedicated Account

Budget Period: 2017-19 biennium

Budget Level: Policy

Agency Recommendation Summary Text:

The Department of Labor & Industries (L&I) is proposing to establish a new dedicated account (Construction Registration Inspection Account) for the Elevator, Contractor Registration and Factory Assembled Structure (FAS) programs. By transferring their fee-supported operations from the General Fund-State into a dedicated fund, it will be easier to track the funding generated by the programs and to ensure greater stability so they can deliver the inspections and other services paid for by fee-paying customers. The Legislature would continue to appropriate money for the programs' operations out of the new dedicated account.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund	(\$9,564,000)	(\$9,564,000)	(\$9,564,000)	(\$9,564,000)
XXX-X: New Fund	\$9,564,000	\$9,564,000	\$9,564,000	\$9,564,000
Total Cost	\$0	\$0	\$0	\$0
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs-General Fund	(76.8)	(76.8)	(76.8)	(76.8)
FTEs-New Fund	76.8	76.8	76.8	76.8
FTEs-Net	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
001-1: General Fund	(\$9,589,000)	(\$9,589,000)	(\$9,589,000)	(\$9,589,000)
XXX-X: New Fund	\$9,589,000	\$9,589,000	\$9,589,000	\$9,589,000
Revenue-Net	\$0	\$0	\$0	\$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	\$0	\$0	\$0	\$0
B-Employee Benefits	\$0	\$0	\$0	\$0
E-Goods & Services	\$0	\$0	\$0	\$0
G-Travel	\$0	\$0	\$0	\$0
J-Capital Outlays	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Package Description

The role of the Elevator, Contractor Registration and Factory Assembled Structures (FAS) programs at L&I is to protect public safety and consumers by inspecting elevators and factory assembled structures and by having construction contractors maintain certain requirements to remain licensed.

- **The Elevator Program** inspects 33 types of conveyances, including elevators and escalators, to ensure proper maintenance and safe operations. The program reviews all plans for new conveyances before construction can begin; inspects their installation prior to public use; places conveyances on an annual inspection schedule; and conducts plan reviews and inspections for any alterations.

- **The Contractor Registration & Compliance Program** ensures that construction contractors are appropriately registered, bonded and insured. The program maintains a register of more than 57,000 building contractors the public can review to verify contractors’ status. Inspectors enforce compliance with the contractor registration laws, make referrals for other potential issues (such as unreported workers or potential worker-safety issues) and issue infractions to those who violate the registration, bonding and insurance requirements.
- **The Factory Assembled Structures Program** reviews and approves plans for manufactured housing, prefabricated commercial structures, recreational vehicles, food trucks, other commercial vendors and mobile medical units. The program also inspects alterations to manufactured homes and inspects factories (in-state and out-of-state) that ship units to sites in Washington. Inspectors identify and document any deviation from code requirements during the manufacturing or alteration processes. Staff issue permits for alterations, document any necessary corrections to meet code, and issue citations for illegal work activity.

These programs are self-supporting through inspection and permit fees paid by customers; they also collect penalties for violations. Currently, all of those revenues are deposited into the State’s General Fund, from which operating expenses are appropriated. Historically, the revenues collected by these programs have fully covered their operating costs, even generating a small “profit” for the General Fund.

The proposal to deposit the funds generated by the three programs into a dedicated account, rather than the General Fund, is intended to ensure stable funding so there’s no risk of the programs being unable to deliver the services paid for by their customers.

What we’re proposing

L&I is again proposing to create a dedicated account (the Construction Registration Inspection Account) to receive funds collected by the three programs. To protect the General Fund, 7 percent of fee revenues collected each quarter would be transferred from the dedicated account to the General Fund. The revenue transfer would end after six years. The bill would take effect July 1, 2017.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

Contractor, FAS, Elevator plus support	FTE	Dollars
15-17 Biennium	76.8	\$18,920,000

The total allotment for the 2015-17 biennium for these three programs, plus support and indirect activities is \$18,920,000.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

For the purposes of this package, the following assumptions were used to illustrate this package could be nearly a net zero impact to the General Fund-State, and could be nearly a net zero impact to L&I:

- Total appropriation for these programs is \$19,128,000 for the 2017-19 biennium.
- Assumes estimated fines and penalty revenue for these programs for the 2017-19 biennium is \$3,462,000.
- Assumes estimated revenue received from fees for these programs for the 2017-19 biennium is \$20.5 million. Seven percent of that figure is approximately \$1.4 million.
- Under this dedicated proposal with these assumptions, the total being retained by or transferred to the General Fund-State is approximately \$4.9 million during the 2017-19 biennium.
- If these programs remained in the General Fund-State under the same revenue assumptions, the revenue in excess of appropriation is approximately \$4.9 million during the 2017-19 biennium.

Different assumptions will yield different results.

The table below provides an estimate of the current and proposed revenue streams using the assumptions listed above.

	Current (est.)	Proposed (est.)
	General Fund 17-19	Fines & Penalties & 7% of fees to GFS
General Fund		
Est. Revenue	\$24,072,000	\$ 4,894,000
Appropriation	\$19,128,000	
Balance	\$ 4,944,000	
Dedicated Account		
Revenue-Gross		\$24,072,000
Less Fines/Penalties-retained by GFS		\$3,462,000
Less 7% of fees-transferred to GFS		\$1,432,000
Net Revenue-New Fund		\$19,178,000
Appropriation		\$19,128,000

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Stable funding for the Elevator, Contractor Registration and FAS programs would make it easier to retain employees.
- Ability to adjust staffing levels based on customer-driven workload, rather than the ups and downs of the General Fund.

Performance measure detail:

No current Results Washington measures. Generally supportive of goals 2 (business vitality), 4 (safe people) and 5 (employer of choice).

Fully describe and quantify expected effects on state residents and specific populations served.

- Stakeholders of these programs have indicated support for establishing a dedicated funding source for the programs' operations.
- Washington residents and workers are safer due to the work of these programs. Stable funding is one of the ingredients necessary for maintaining high-quality inspectors for these functions.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	No	Identify:

Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	Yes	Identify: Legislation is needed to create and set up the dedicated account.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.

What alternatives were explored by the agency and why was this option chosen?

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

What are the consequences of not funding this request?

The programs would continue to be at the mercy of General Fund pressures. This creates a risk that customers who pay for permits and inspections may risk not getting the services they paid for – which could disrupt the health of the state’s construction industry.

How has or can the agency address the issue or need in its current appropriation level?

N/A

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)