

Agency 235

**Department of Labor and Industries**

**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2007-09 Expenditure Authority</b>	2,657.9	17,590	598,483	616,073
<b>Supplemental Changes</b>				
Motor Pool Fuel Rate Changes		34	242	276
Relocate Longview Field Office			308	308
Indirect Realignment		113	(113)	
Expert Medical Witness Fee Increase			233	233
Correct 608/609 Fund Split				
Centers of Occupational Health			200	200
Electrical Program Workload Increase	2.1		544	544
Elevator Workload Increase	1.1	200		200
Explosive License Fees *			(15)	(15)
Bill Payers - Fiscal Controls FTEs	1.1		176	176
Online Recruiting Service		1	145	146
Industrial Insurance Fund Audits			374	374
Postage Fee Increase		8	434	442
Protecting Vulnerable Workers	1.0		528	528
Pension Plan 1 COLA Funding		2	70	72
PEBB Rate Reduction		(166)	(4,749)	(4,915)
<b>Subtotal - Supplemental Changes</b>	<b>5.2</b>	<b>192</b>	<b>(1,623)</b>	<b>(1,431)</b>
<b>Total Proposed Budget</b>	<b>2,663.1</b>	<b>17,782</b>	<b>596,860</b>	<b>614,642</b>
Difference	5.2	192	(1,623)	(1,431)
Percent Change	0.2%	1.1%	(0.3)%	(0.2)%

**SUPPLEMENTAL CHANGES**

**Motor Pool Fuel Rate Changes**

On July 1, 2007 the Department of General Administration (GA) raised its motor pool fuel rates by \$.025 per mile. The Department of Labor and Industries (L&I) leases 355 vehicles from GA and drives more than 5.5 million miles per year. Funding is provided to cover the increased fuel costs. (General Fund-State, various other accounts)

**Relocate Longview Field Office**

One-time funding will be used to relocate the Longview Field Office into the state-owned office facility in Kelso. (Accident Account-State, Medical Aid Account-State)

## **HUMAN SERVICES - OTHER**

### **Indirect Realignment**

Funding will align appropriations with the Department's indirect cost model. This adjustment nets to zero at the agency level and does not change agency or administrative costs. Rather, it changes the distribution of the indirect costs among the agency's numerous funds. (Public Safety and Education Account-State, Asbestos Account-State, various other accounts)

### **Expert Medical Witness Fee Increase**

Beginning July 1, 2007, the Office of the Attorney General adopted a new medical witness fee schedule. Funding is provided to cover the 36 percent cost increase over 2005-2007 rates. (Accident Account-State, Medical Aid Account-State)

### **Correct 608/609 Fund Split**

The Department has excess expenditure authority in the Medical Aid Account and not enough authority in the Accident Account. This adjustment will correct the fund split by increasing the Accident Account and decreasing the Medical Aid Account by the same amount. (Accident Account-State, Medical Aid Account-State)

### **Centers of Occupational Health**

Centers of occupational health and education create more efficient users of the workers compensation system and produce better and faster return-to-work outcomes. The Legislature appropriated funds in the 2007 supplemental budget and directed L&I to open two new centers. The Department has contracted with the Everett Clinic and Harborview Medical Center for this purpose. However, because these funds were appropriated in the second supplemental budget, they did not carry forward into the 2007-09 Biennium. This item funds the Harborview and Everett Clinic sites through the end of the biennium. (Medical Aid Account-State)

### **Electrical Program Workload Increase**

The Department will hire additional electrical inspectors to meet rising inspection and plan review demands in central Washington. Timely inspections prevent builders and electrical contractors from suffering economic losses that are caused by permitting delays. (Electrical License Account-State)

### **Elevator Workload Increase**

The Department of Labor and Industries will hire additional elevator inspectors to conduct both initial and annual operational safety inspections. These inspections protect the safety of individuals who ride elevators and escalators. The number of new conveyances entering service far outpaces the number of conveyances retired from service, creating an expanding workload that must be addressed through a staffing increase.

### **Explosive License Fees \***

Agency request legislation is proposed to clearly indicate that explosive license applicants are responsible to pay the full cost of criminal fingerprint and background checks required for their license. This would eliminate L&I expenditures to the Washington State Patrol for these checks. The legislation would also increase the five different explosive license fees with the fee revenue being deposited in the Accident Account and Medical Aid Account rather than the State General Fund. Under this legislation, explosive license revenue collected by the Department will be used to fund the program's operating costs currently paid from workers compensation premiums. (Accident Account-State, Medical Aid Account-State)

### **Bill Payers - Fiscal Controls FTEs**

The Department of Labor and Industries (L&I) plans to hire two employees. One will be assigned to respond to federal collection claims against the Department. L&I must respond in a timely manner to these claims to avoid financial penalties and must also ensure the veracity of the claims to avoid making unnecessary payments to the federal government. The other employee will be assigned to the accounts receivable team within the billpayers unit to ensure proper segregation of duties in a cash-handling environment. This is a necessary financial control to prevent fraud and reduce risk and has been recommended by the state auditor as well as the Department's independent auditor. (Medical Aid Account-State)

### **Online Recruiting Service**

To support the state's online recruitment tool (E-Recruiting), additional funds are provided for a one-time charge from the Department of Personnel. This will improve the ability of agencies to manage their recruitment and hiring processes as required by the Personnel System Reform Act of 2002.

**Industrial Insurance Fund Audits**

The Department is required by statute to conduct a Statutory Accounting Principles (SAP) audit in addition to its annual Generally Accepted Accounting Principles (GAAP) audit. The actual costs for the SAP and GAAP actuarial services are higher than anticipated. Funding will cover the higher than expected audit costs. (Accident Account-State, Medical Aid Account-State)

**Postage Fee Increase**

The United States Postal Service implemented a 7.14 percent rate increase in May 2007. The Department needs increased appropriation authority to cover the additional costs of sending 15 million pieces of mail annually. (General Fund-State, Public Safety and Education Account-State, various other accounts)

**Protecting Vulnerable Workers**

Chapter 89, Laws of 2006, eliminated the Department of Labor and Industries' ability to exercise discretionary review of wage payment complaints. Under the new law, L&I is required to investigate all claims and issue a determination of violation or compliance within sixty days. Workload growth has been greater than the Department initially estimated. Currently there is a backlog of 787 complaints on file longer than 60 days. Funding is required for additional staff, administrative hearings, and attorney general services to meet the statutory requirements of the Wage Payment Act. (Accident Account-State, Medical Aid Account-State)

**Pension Plan 1 COLA Funding**

Funding was provided in the 2007-09 budget for the additional employer contributions to retirement systems required by modifications to the eligibility criteria for the uniform COLA in the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) in Senate Bill 5175. This item moves that funding from the State Employee Compensation Adjustments agency into individual agency budgets. (General Fund-State, other funds)

**PEBB Rate Reduction**

The state contributes 88 percent of the total weighted average of the employee health care premium and also pays for the cost of dental, life and long-term disability insurance. Total Public Employees Benefit Board (PEBB) expenditures for the 2007-09 Biennium are anticipated to be lower than budgeted because (1) health plan costs for calendar year 2008 are lower than expected, which will benefit both the state and its employees; (2) the Uniform Medical Plan continues to perform better than projected; and (3) funding was removed from the PEBB administrative cost allocation for an information technology system replacement due to the restrictive nature of federal funding. The state employer contribution rate will be reduced from \$732 per month to \$575 per month. This one-time reduction will leave an unrestricted fund balance of \$19.2 million at the end of Fiscal Year 2009. (General Fund-State, various other funds).