

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 3121 HB	<b>Title:</b> Construction industry
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## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Labor and Industries	35,000	1,887,986	70,000	3,775,972	70,000	3,775,972
<b>Total \$</b>	35,000	1,887,986	70,000	3,775,972	70,000	3,775,972

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Administrative Hearings	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	4.2	223,539	1,706,400	9.2	440,848	3,606,402	9.0	440,848	3,069,794
The Evergreen State College	.2	45,275	45,275	.0	0	0	.0	0	0
Employment Security Department	.9	0	155,000	1.2	0	201,000	1.1	0	180,000
<b>Total</b>	5.3	\$268,814	\$1,906,675	10.4	\$440,848	\$3,807,402	10.1	\$440,848	\$3,249,794

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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<b>Prepared by:</b> John Shepherd, OFM	<b>Phone:</b> 360-902-0538	<b>Date Published:</b> Revised 2/ 4/2008
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 19298

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 3121 HB	<b>Title:</b> Construction industry	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☒ **No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Joan Elgee	Phone: 360-786-7106	Date: 01/22/2008
Agency Preparation: Gerald Sayler	Phone: 360-570-6088	Date: 01/28/2008
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 01/28/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/28/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill would enact legislation relating to creating and implementing the recommendations of the joint legislative task force on the underground economy in the construction industry.

The statute amendments and new sections primarily involve the tightening of the requirements of registration for contractors with state agencies and increasing penalties for noncompliance. New sections also establish a legislative task force to formulate state policy on the underground construction economy and to increase the oversight and regulation of the underground economy practices in construction in Washington.

II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

REVENUE ESTIMATES

There is no revenue impact as a result of this legislation.

II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

No rule-making required.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 3121 HB	<b>Title:</b> Construction industry	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
General Fund-State 001-1		35,000	35,000	70,000	70,000
Accident Account-State 608-1		926,493	926,493	1,852,986	1,852,986
Medical Aid Account-State 609-1		926,493	926,493	1,852,986	1,852,986
<b>Total \$</b>		1,887,986	1,887,986	3,775,972	3,775,972

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	8.4	4.2	9.2	9.0
<b>Fund</b>					
General Fund-State 001-1	0	223,539	223,539	440,848	440,848
Accident Account-State 608-1	0	741,431	741,431	1,582,777	1,314,473
Medical Aid Account-State 609-1	0	741,430	741,430	1,582,777	1,314,473
<b>Total \$</b>	0	1,706,400	1,706,400	3,606,402	3,069,794

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Joan Elgee	Phone: 360-786-7106	Date: 01/22/2008
Agency Preparation: Katie E Davis	Phone: 360-902-6985	Date: 02/01/2008
Agency Approval: Chris P Freed	Phone: 360-902-6698	Date: 02/01/2008
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 02/04/2008

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached.

### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		8.4	4.2	9.2	9.0
A-Salaries and Wages		471,454	471,454	1,056,715	1,034,480
B-Employee Benefits		159,953	159,953	358,893	351,434
C-Personal Service Contracts		215,000	215,000	215,000	215,000
E-Goods and Services		681,604	681,604	1,289,043	1,282,332
G-Travel		92,898	92,898	186,751	186,548
J-Capital Outlays		85,491	85,491		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services				500,000	
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$0	\$1,706,400	\$1,706,400	\$3,606,402	\$3,069,794

### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
Communications Consultant 4	53,148		1.0	0.5	1.0	1.0
Compliance Specialist Supervisor	61,632		1.0	0.5	1.0	1.0
construction Compliance Inspector	58,656		2.0	1.0	2.0	2.0
Field Aditor 3	48,168		3.0	1.5	3.0	3.0
Field Auditor 4	50,568		1.0	0.5	1.0	1.0
Information Technology Specialist 4	61,956		0.4	0.2	0.2	
Project Manager 1	63,876				1.0	1.0
<b>Total FTE's</b>			8.4	4.2	9.2	9.0

**III. C - Expenditures By Program (optional)**

<b>Program</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>
Insurance Services (020)		775,409	775,409	2,137,054	1,637,054
Specialty Compliance Services (060)		930,991	930,991	1,469,348	1,432,740
<b>Total \$</b>		1,706,400	1,706,400	3,606,402	3,069,794

**Part IV: Capital Budget Impact**

None.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

None.

## Part II: Explanation

This bill implements the recommendations of the joint legislative task force on the underground economy in the construction industry.

### II. A – Brief Description of What the Measure Does that Has Fiscal Impact

This fiscal note is revised to change the amount and the funding sources for Assistant Attorney General costs and the Communications Consultant 4 FTE. This is based on discussions with House Appropriation staff and members of the Underground Economy Taskforce.

**Section 3:** Adds a new chapter to the Prevailing Wage statute 39.12 to prevent bidding on public works contracts for one year if a contractor commits any combination of two of the following violations within a five year period:

- 1) Willfully commits an infraction under chapter 18.27 (contractor registration) or willfully violates RCW 51.48.020(1) (intentional false reporting); or 51.48.103 (Engaging in a business without a certificate of coverage).
- 2) Commits an infraction or violation under chapter 18.27 (contractor registration) a second time within a five year period.

**Section 4:** Adds a new section to chapter 18.27 (contractor registration) that a contractor found to have: (1) Willfully committed an infraction or violation or (2) committed an infraction a second time within five years shall, in addition to any penalties under 18.27, be the subject to the penalties in section 3 of this act.

**Section 10:** Extends the Joint Legislative Task Force on the Underground Economy to 12/31/2008.

**Section 11:** Adds a new section to chapter 43.22 RCW (L&I enabling laws) to add three staff members, one will be a working supervisor, to the Fraud Audit Infraction and Revenue (FAIR)

contractor compliance team. Requires both L&I and ESD to hire a minimum of three additional auditors to assist with activities related to the underground economy in the construction industry. If funds are made available in the 2008 Supplemental Budget, provide dedicated funding to the Attorney General's Office to be used in the enforcement of contractor registration cases.

**Section 12:** Adds a new section to RCW 18.27 (contractor registration) that requires L&I to create an expanded social marketing campaign aimed at consumers to warn them of the risks and potential consequences of hiring unregistered contractors or otherwise assisting in the furtherance of the underground economy and encouraging legitimate contractors and the public to report fraud.

**Section 13:** Adds a new section to chapter 43.22 RCW that requires a pilot project between L&I and certain local jurisdictions to explore ways to improve the collection and sharing of building permit information. Participation by local jurisdictions is voluntary. L&I must report back to the appropriate committees by November 15, 2013. Provides rulemaking authority to the department to undertake the pilot project. This section expires 12/01/2014.

**Section 14:** Requires the Institute for Public Policy to organize an advisory committee to establish benchmarks for future monitoring of underground economy in construction activities. Requires L&I, ESD, and DOR to delegate representatives to assist the advisory committee and to report back on the committee's progress to the appropriate committees of the Legislature by 12/31/2009.

## **II. B – Cash Receipt Impact**

This bill requires L&I to hire an additional three Construction Compliance Inspectors (CCI) and four Field Auditors (FA). The CCIs travel to construction sites to assess contractors' registration, employee reporting, and other safety issues. If the CCI has concerns or finds problems, they issue an infraction, a collection referral, or an audit referral. With an infraction the contractor is charged a fee with the right to appeal the charge. After costs and appeals, L&I collects between 33 and 35 percent of total infraction dollars issued.



Collection referrals go directly to a Revenue Agent and the collection process begins. Audit referrals go to the Field Audit Supervisor for consideration. If the supervisor pursues the referral, a FA will audit the contractor. Based on the auditor's findings, L&I may pursue collection of premiums and penalties.

We assume that the increase in CCI FTEs will lead to a proportionate increase in productivity and revenue collected. Of the three inspectors, one will be a working supervisor. Half of this person's time will be dedicated to investigations and the other half to supervising five CCIs. This means there will be 2.5 new FTEs dedicated to contractor inspections. L&I currently has three CCIs performing these duties. This brings L&I to 5.5 CCIs completing inspections in the construction industry.

The table below first shows the actual productivity of the three existing CCIs and the revenue collected from their efforts. Second, we projected a proportionate level of productivity and dollars collected for the new 2.5 FTEs. Finally, we add these two data sets together to arrive at the projected total productivity and revenue collection.

The total dollars collected is \$35,000 which is net of costs and appeals at approximately 35 percent of infractions issued. From the collection referrals from the additional 2.5 FTEs, we expect to collect \$1,036,506. This results in a projected increase to cash receipts of \$1,071,506 per year. See Table 1 below for the full breakdown.

The same principles are applied to the estimated revenue collected from the work of Field Auditors. L&I will need four additional Field Auditors (FA): three Field Auditor 3s and one Field Auditor 4. The table below shows the average monthly audits completed per FA and the average assessment per audit. These numbers were used to calculate the increase in audits and dollars assessed with the addition of four FAs. We applied a 45 percent collection rate to the dollars assessed and arrive at a projected revenue increase of \$816,480 per year. See Table 2 below for the details.

**Table 1**  
**Annual Revenue Estimates from Construction Compliance Inspections**

	<b>2007 Actuals*</b>	<b>Projected Increase</b>	<b>Total</b>
FTE Basis	3 existing FTE	2.5 new FTE	5.5 FTE
<b>Productivity in units</b>			
Infractions Issued	120	100	220
Collection Referrals	133	111	244
Audit Referrals	336	280	616
<b>Productivity in Dollars</b>			
Infraction Dollars Assessed	\$ 120,000	\$ 100,000	\$ 220,000
Infraction Dollars Collected (35%)	\$ 42,000	\$ 35,000	\$ 77,000
Collection Dollars Collected	\$ 1,243,807	\$ 1,036,506	\$ 2,280,313
<b>Total Collected</b>	<b>\$ 1,285,807</b>	<b>\$ 1,071,506</b>	<b>\$ 2,357,313</b>

\* Actuals are based on performance from January 1, 2007 to December 31, 2007.

**Table 2**  
**Annual Revenue Estimates from Field Auditors**

<b>2007 Average per auditor*</b>	<b>Monthly</b>	
Audits completed	8.4	
Assessment per audit	\$4,500	
Collection Rate	45%	
<b>Increases for 4 FTEs</b>	<b>Monthly</b>	<b>Annually</b>
Audits completed	33.6	403.2
Assessment Dollars	\$ 151,200	\$ 1,814,400
<b>Total Collected</b>	<b>\$ 68,040</b>	<b>\$ 816,480</b>

\* Averages are based on actuals from Regions 1 and 2 from July 1, 2006 to June 30, 2007.

Revenue from issued infractions is deposited in 001 – General Fund. Collections and Audit revenue is deposited 50 percent in 608 – Accident Account and 50 percent in 609 – Medical Aid Account in accordance with present agency allocations.

## II. C – Expenditures

This bill requires L&I to implement recommendations of the Joint Legislative Task Force on the Underground Economy. To do this, L&I will need to:

- Hire three inspectors for the Fraud Audit Infraction and Revenue contractor compliance team.
- Hire four auditors to complete field audits related to the underground economy.
- Dedicate funding to the Attorney General's Office.
- Develop a social marketing campaign to warn consumers of the risks of hiring unregistered contractors.
- Develop a pilot project between L&I and local jurisdictions to improve the collection and sharing of building permit information.
- Enhance current information technology to track building permit information, debar contractors that have violated the provisions of this bill, and implement the pilot project.
- Provide administrative support to the Joint Legislative Task Force on the Underground Economy.

### FTE Requirements

The following eight positions are needed to meet these requirements:

**Two Construction Compliance Inspector 2 (CCI2) FTEs** to investigate underground economy activity in the construction industry. These positions ensure that contractors are properly registered as well as accurately reporting employees to L&I, ESD, and DOR. If discrepancies are found, the CCI2 will make an audit referral for further investigation.

**One Compliance Specialist Supervisor FTE** to both perform and supervise Fraud Audit Infraction and Revenue contractor compliance team activities. Approximately half of this

person's time will be completing investigations. The other half will be supervising five FTEs: two new FTEs and three existing FTEs.

**Three Field Auditor 3 (FA3) FTEs** to complete audits related to underground economy in the construction industry. These positions will act on audit referrals from the CCI2s and the Compliance Specialist Supervisor as described above.

**One Field Auditor 4 (FA4) FTE** to both perform and supervise audits into underground economy activity in the construction industry.

**One Communications Consultant 4 (CC4) FTE** to assist the existing Specialty Compliance Services (SCS) Outreach Program Manager with the development and execution of a social marketing campaign. This will include using various marketing outlets aimed at consumers to convey the risks of hiring unregistered contractors, where to get help if harmed, and how to file fraud complaints. This permanent FTE will support marketing efforts focused on contractors and Workers' Compensation issues related to the underground economy. Therefore the position is funded 50 percent from the General Fund, 25 percent from the Accident Fund, and 25 percent from the Medical Aid Fund.

**One Project Manager 1 FTE** to manage the pilot project. This is a project position beginning Fiscal Year 2010 and lasting four years.

### **FTE Standard Costs**

Permanent and temporary FTE costs include salary and benefits, and the standard costs associated with a new FTE. These standard costs include:

- Leased office space.
- Work unit (desk, file cabinet, etc.) and furniture (if needed).
- Telephone and communication expenses.
- Training.
- Travel.

- Leased Notebook PC equipment.

We assume new FTEs require new leased office space. Costs are included, prorated on a per FTE basis, to cover tenant improvements necessary to lease more office space. Tenant improvements include:

- One-time expenditures for GA real estate and architectural fees.
- Phone and data wiring.
- Copy room and conference room equipment and furniture.
- Lunch and break room equipment.
- Staff moving costs.
- Security system.
- Other miscellaneous supplies.

## **Attorney General Costs**

We request funding for an additional 2.0 Assistant Attorney General (AAG) FTEs and 0.5 Paralegal FTE with workload broken down as follows:

- 0.75 AAG for increases in construction compliance cases.
- 1.25 AAG and 0.5 Paralegal for increases in audit production.

We estimate that the increase in construction compliance cases will require the addition of 0.75 AAG. This position is intended to help enforce contractor compliance cases and prosecute problem contractors. We estimate costs at \$166,329 per fiscal year that will be charged to 001-General Fund in accordance with existing agency allocations.

Additionally, the Attorney General's Office (AGO) estimates that the increased audit production will increase their workload and require more legal support equivalent to 1.25 AAG and 0.5 paralegal. Costs are ongoing and have been estimated at \$325,215 per year beginning in Fiscal Year 2009. These amounts would also cover legal support staff, equipment and office space for

the AGO. As these costs are related to audit functions they will be charged 50 percent to 608 – Accident Account and 50 percent 609 – Medical Aid Account.

## Social Marketing Campaign for Consumers

In order to inform consumers about the risks and penalties associated with the underground economy, an intensive social marketing campaign will be required. The campaign will include utilizing Public Service Announcements (PSA), strategically placed ads, editorial spots, and other communication tools. We will also target the marketing campaign at consumers to inform them of the risks of hiring unregistered contractors. The estimated ongoing project costs are broken out in the table below. These expenditures are funded out of Accident and Medical Aid Accounts due to the major focus on unregistered contractors who are avoiding workers' compensation premium payments.

### Biennial Social Marketing Campaign Costs

Marketing Activity	Costs
PSA Development: 2-4 PSAs for television, radio, and internet	\$ 25,000
PSA Airtime: 4-5 small media buys based on past estimations for concentrated programs	\$ 160,000
Billboards and other fixed media	\$ 30,000
Educational Material Printing	\$ 15,000
Home Shows, Consumer Events, and other travel	\$ 20,000
<b>Total Cost</b>	<b>\$ 250,000</b>

## Pilot Project between L&I and Local Jurisdictions

L&I will develop a pilot project to explore ways to improve building permit information sharing with local jurisdictions. Participation by local jurisdictions is voluntary. Based on task force testimony from local government representatives, we assume that money through a grant

program or other similar mechanism would need to be provided to obtain local government participation. Such a grant program would provide money for staff, technology upgrades, and other infrastructure for the local government jurisdictions to improve their systems for collecting and transmitting building permit information.

We assume this grant program will be very similar to the “Get On Board” grant program administered by the Department of Licensing to help local jurisdictions exchange data regarding the Master License Service (MLS) program. The “Get On Board” program was authorized to issue \$1 million in grants and given \$499,000 to administer the program. Currently, the MLS program is working with 19 local jurisdictions. Assuming the pilot program involves at least five local jurisdictions who will need startup funding (One county, two large cities and two smaller cities) then a proportional grant amount would be assumed at \$250,000 a year for two years starting in Fiscal Year 2010. If the pilot project proves successful, additional grant money may be needed in the future to expand the program.

L&I expects the first year to be made up of mostly planning, meetings, and decisions on how to proceed. These costs will be absorbed by the agency. However in future years we anticipate administrative costs similar to the “Get On Board” grant program. This includes:

- One Project Manager to manage the grants program and oversee the pilot project.
- 960 hours from an Information Technology Specialist 4 for programming related to improving information sharing with local jurisdictions

As the exact requirements of this pilot program are still vague, it may be necessary for L&I to ask for authorization for additional money in future biennia to fully implement the pilot project.

## **Information Services Requirements**

Two parts of this bill require assistance from information services:

1. Debar contractors that have had two or more Contractor Registration or industrial Insurance violations in the last five years.
2. Pilot project to share building permit information with local jurisdictions.

Part one requires 400 hours from an Information Technology Specialist 4 (ITS4) to:

- Research and implement LINIIS violation flag. (140 Hours)
- Citation cross match. (80 Hours)
- Update approval process in PWIA, automatically update debar tables. (100 Hours)
- End-to-end testing (80 Hours)

Part two requires an estimated 960 hours from an ITS4. The exact specifications will be determined by the project findings which are not available at this time.

All together, this bill requires 1,360 hours from an ITS4. This translates into 0.70 FTE to spread 0.35 FTE in Fiscal Year 2009 and 0.35 FTE in Fiscal Year 2010. The costs associated with this FTE are the same as listed above in the FTE Standard Costs section.

## **Joint Legislative Task Force on the Underground Economy**

This bill requires L&I to extend the Joint Legislative Task Force on the Underground Economy to December 31, 2008. The costs associated with this are minimal and will be absorbed by the agency.

## **Funding Split**

Fifty percent of the salaries, benefits and standard FTE costs for the Communication Consultant 4 are charged to 001 – General Fund in accordance with current agency allocations. In addition, 75 percent of an Assistant Attorney General will be funded from the General Fund because the major focus of their work will be related to contractor compliance cases. All other costs will be split equally between 608 – Accident Account and 609 – Medical Aid Account.

## **Indirect Allocation Included In Cost Estimates**

We include agency wide indirect cost estimates. Only our Administrative Services and Information Services programs receive indirect cost allocation.

Our methodology was updated and approved in the 2007-2009 Budget. The annual indirect rates for Insurance Services include:



- 6.3% in Fiscal Year 2009

The annual indirect rates for Specialty Compliance Services (SCS) include:

- 2.3% in Fiscal Year 2009

The annual indirect cost is calculated on:

- Requested FTE salary and benefit costs.
- Standard costs associated with new FTEs.
- IT equipment is not included.

We convert the total indirect amount into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Financial Analyst 3 (Range 50, Step G). The amount remaining after the salary and benefits are calculated is allocated in object E to provide goods and services for the indirect FTE(s).

The amount received for the indirect FTE(s) may not be enough to actually hire a new staff person. But, this indirect funding may be used instead to pay current staff for overtime or increasing the use of temporary and seasonal employees. .

Depending on the agency's needs, examples of activities provided in Administrative Services and Information Services include:

- Vendor payment and payroll processing.
- Equipment purchase, delivery, inventory, storage and set-up.
- Technical support to employees.
- Desk-top and network support.
- Internal IT systems support.
- Contract and purchasing services.
- Legislative and Public Affairs.
- Library services and public disclosure.
- Personnel and employee services.

- Budget and Accounting.
- Facilities management.

The amount included in this fiscal note for indirect is:

<b>Fund Name, Fund #</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
001 – General Fund	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230
608 – Accident Account	\$ 16,290	\$ 19,390	\$ 18,978	\$ 18,978	\$ 18,978	\$ 18,978
609 – Medical Aid Account	\$ 16,290	\$ 19,390	\$ 18,978	\$ 18,978	\$ 18,978	\$ 18,978
<b>Total</b>	<b>\$ 33,810</b>	<b>\$ 40,009</b>	<b>\$ 39,186</b>	<b>\$ 39,186</b>	<b>\$ 39,186</b>	<b>\$ 39,186</b>

## Part IV: Capital Budget Impact

None.

## Part V: New Rule Making Required

None.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 3121 HB	<b>Title:</b> Construction industry	<b>Agency:</b> 376-The Evergreen State College
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	0.3	0.2	0.0	0.0
<b>Fund</b>					
General Fund-State 001-1	0	45,275	45,275	0	0
<b>Total \$</b>	0	45,275	45,275	0	0

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

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- ☐ Requires new rule making, complete Part V.

Legislative Contact: Joan Elgee	Phone: 360-786-7106	Date: 01/22/2008
Agency Preparation: Janie Maki	Phone: (360) 586-2769	Date: 01/23/2008
Agency Approval: Steve Trotter	Phone: 360 867-6185	Date: 01/25/2008
OFM Review: Marc Webster	Phone: 360-902-0650	Date: 01/25/2008

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 10 (2) explains that the purpose of the task force is to formulate a state policy to establish cohesion and transparency between state agencies so as to increase the oversight and regulation of the underground economy practices in the construction industry. The task force is directed to contract with the Institute to assist in achieving this goal and to determine the extent of and projected costs to the state and workers of the underground economy in the construction industry.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

This study will require .3 FTE of a Senior Researcher's time to assist the task force as required in Sec. 10 (2).

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		0.3	0.2		
A-Salaries and Wages		28,168	28,168		
B-Employee Benefits		7,606	7,606		
C-Personal Service Contracts					
E-Goods and Services		9,501	9,501		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$0	\$45,275	\$45,275	\$0	\$0

### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
Project Manager	92,052		0.3	0.2		
<b>Total FTE's</b>			0.3	0.2		0.0

## Part IV: Capital Budget Impact

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 3121 HB	<b>Title:</b> Construction industry	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	1.7	0.9	1.2	1.1
<b>Fund</b>					
Unemployment Compensation Administration Account-Federal 119-2	0	155,000	155,000	201,000	180,000
<b>Total \$</b>	0	155,000	155,000	201,000	180,000

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Joan Elgee	Phone: 360-786-7106	Date: 01/22/2008
Agency Preparation: Candria Rauser	Phone: 360-902-9564	Date: 01/23/2008
Agency Approval: Randi Warick	Phone: 360-902-9423	Date: 01/28/2008
OFM Review: Tammy Hay	Phone: 360-902-0553	Date: 01/29/2008

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

- Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*
- House Bill 3121 (and companion Senate Bill 6732) implements recommendations of the Joint Legislative Task Force on the Underground Economy by tightening requirements on registered contractors and extending the work of the Task Force until 2009.
- Although most of the legislation focuses on the registration of contractors and enforcement by the Department of Labor and Industries (L&I), there are several direct impacts on the Employment Security Department (ESD). This legislation amends ESD's confidentiality statute to allow broader sharing of information between governmental agencies, requires employers contracting with registered contractors and electricians to retain records of compensation paid, provides for ESD to hire more auditors to enforce the underground construction industry, and requires ESD to designate a representative to an advisory committee to the Washington State Institute for Public Policy on benchmarking. Extending the duration of the Task Force for another year and also extends ESD as a nonvoting member of the Task Force.
- Sec. 1. Amends registration requirements for registered contractors under chapter 18.27 RCW by requiring applicants to produce a uniform business identifier (UBI) number and denying applications or suspending registrations if L&I determines that the applicant falsified information or did not have an active and valid registration with the Department of Revenue (DOR).
- Sec. 2. Provides that falsifying information on an application for contractor registration violates chapter 18.27 RCW.
- Sec. 3. Prohibits contractors who commit two or more specified violations or infractions of L&I or registered contractor laws from bidding on public works contracts. (Amends public works laws.)
- Sec. 4. Prohibits contractors who commit two or more specified violations or infractions of L&I or registered contractor laws from bidding on public works contracts. (Amends registered contractor laws.)
- Sec. 5. Requires employers who contract with registered contractors or electricians to record compensation paid as well as the current requirement for UBI number. (Amends L&I law.)
- Sec. 6. Amends ESD confidentiality statute to allow disclosure to other government agencies even if not directly connected to the official purpose for the records. Sharing records must meet specified purposes, primarily investigation of criminal violations or comparison for fraud, tax liability, or employer registration.
- Sec. 7. Employers who contract with registered contractors or electricians must record compensation paid as well as the current requirement for UBI number. (Amends ESD law.) (No fiscal impact assuming that ESD would not record this number and that this would not change ESD's existing audit procedures.)
- Sec. 8. Willful violation of L&I requirements for a certificate of coverage prohibits employers from bidding on public works contracts.
- Sec. 9. Willful violation of L&I requirements for reporting payroll or employee hours prohibits employers from bidding on public works contracts.
- \*Sec. 10. Extends the Task Force (including ESD as a nonvoting member) until 2009, with a final report due by December 31, 2008.
- \*Sec. 11. Amends L&I law to require L&I to hire three staff for fraud and three auditors for underground construction industry. Requires ESD to hire unspecified "more auditors" for underground construction industry. Requires Attorney

General's Office to enforce contractor compliance, subject to additional 2008 funding. Note that the requirement for ESD hiring is placed in L&I law.

Sec. 12. Requires L&I to expand social marketing on contractor registration.

Sec. 13. Requires L&I to establish a pilot project to collect and share building permit information.

\*Sec. 14. Establishes advisory committee to the Washington State Institute for Public Policy (WSIPP) to set benchmarks for monitoring the underground economy. ESD and specified agencies must have representatives to the advisory committee and report to legislative committees by December 31, 2009.

Sec. 15. Severability clause for federal conformity.

Sec. 16. Standard severability clause.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

No cash receipts.

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

\*Sec. 10. Extends Task Force, (including the Employment Security Department (ESD) as a nonvoting member) until 2009, with a final report due by December 31, 2008. The Department would continue to provide a liaison and information technology staff to supply input and data for the task force. The legislation directs the task force to use legislative facilities, presumably in Olympia, to reduce the impact of travel. It is not clear how often the task force would meet, how much information would be requested of ESD, or what preparation time would be needed before attending the task force meetings.

### **Assumptions:**

The Department assumes the expenditures would draw from the federal Unemployment Compensation Administration Account, which would not receive additional funds to cover the new expenditures. Therefore, a small amount of current planning and data analysis would be displaced or delayed to accommodate the estimated 0.2 Full Time Equivalent hours of work associated with this bill, based on the Department's experience with that task force from the prior session.

- The task force would meet July, 2008 through December, 2008 (6 months);
- Meetings would occur one day each month (8 hrs per month);
- One additional day each month would be needed to prepare information for task force meetings (8 hrs per month);
- One additional day each month would be needed to share information from task force meetings and talk with data staff (8 hrs per month);
- 20 hours a month to research and collect data requested by the task force;
- 10 hours a month to run data queries.

The above would require one WMS manager from the ESD Underground Economy Unit, to act as task force liaison (144 hours) and one Information Technology Specialist 4 in the Underground Economy/SUTA Dumping unit, to gather and publish information (180 hours).

\*Sec. 11 requires ESD to "hire more auditors" to enforce the underground construction industry. It specifies the number of positions for the Department of Labor and Industries, but not for ESD. ESD estimates the need for one ongoing FTE at



the level of an Auditor 4 beginning July, 2008.

\*Sec. 14. The advisory committee to the Washington State Institute for Public Policy (WSIPP) is responsible for setting benchmarks for monitoring the underground economy. ESD would have a representative to the advisory committee, reporting to the legislature by December 31, 2009. The estimate used in Section 10 for amount of time on the task force has been doubled to account for ESD staff time (12 months) on the WSIPP advisory committee in fiscal year 2009. Since the advisory committee works through December 2009, ESD assumes FY 2010 at the same estimate (approximately 0.2 FTE) as the 6 months used in Section 10 for the Underground Economy Task Force.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		1.7	0.9	1.2	1.1
A-Salaries and Wages		103,000	103,000	133,000	118,000
B-Employee Benefits		31,000	31,000	40,000	36,000
C-Personal Service Contracts					
E-Goods and Services		21,000	21,000	28,000	26,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$0	\$155,000	\$155,000	\$201,000	\$180,000

### III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
Auditor 4	53,146		1.1	0.6	1.1	1.1
WMS2	71,400		0.6	0.3	0.1	
<b>Total FTE's</b>			1.7	0.9	1.2	1.1

## Part IV: Capital Budget Impact

No capital budget impact.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

No rulemaking impact.