

Multiple Agency Fiscal Note Summary

Bill Number: 6732 2S SB	Title: 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
Total \$						

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
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	.7	61,725	401,183	2.4	109,420	1,218,650	2.2	109,420	667,412
The Evergreen State College	.2	45,275	45,275	.0	0	0	.0	0	0
Employment Security Department	.2	0	44,000	.0	0	0	.0	0	0
Total	1.1	\$107,000	\$490,458	2.4	\$109,420	\$1,218,650	2.2	\$109,420	\$667,412

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

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Prepared by: John Shepherd, OFM	Phone: 360-902-0538	Date Published: Final 2/21/2008
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 20173

Department of Revenue Fiscal Note

Bill Number: 6732 2S SB	Title: Construction industry	Agency: 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:	Phone:	Date: 02/18/2008
Agency Preparation: Gerald Sayler	Phone: 360-570-6088	Date: 02/19/2008
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/19/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/19/2008

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.

Note: This fiscal note reflects language in 2SSB 6732.

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 legislation tightens 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.

Section 1 requires the Department of Revenue (Department) to assist this task force. In Section 13, the Department will also assist an advisory committee organized by the Washington state Institute for Public Policy. This committee will establish bench marks for future monitoring activities recommended by the task force.

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 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

Bill Number: 6732 2S SB	Title: Construction industry	Agency: 235-Department of Labor and Industries
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	1.5	0.7	2.4	2.2
Fund					
General Fund-State 001-1	0	61,725	61,725	109,420	109,420
Accident Account-State 608-1	0	169,729	169,729	554,615	278,996
Medical Aid Account-State 609-1	0	169,729	169,729	554,615	278,996
Total \$	0	401,183	401,183	1,218,650	667,412

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:	Phone:	Date: 02/18/2008
Agency Preparation: Katie E Davis	Phone: 360-902-6985	Date: 02/18/2008
Agency Approval: Chris P Freed	Phone: 360-902-6698	Date: 02/20/2008
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 02/20/2008

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.

None.

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		1.5	0.7	2.4	2.2
A-Salaries and Wages		77,259	77,259	268,451	246,216
B-Employee Benefits		26,001	26,001	91,054	83,596
C-Personal Service Contracts		215,000	215,000	215,000	215,000
E-Goods and Services		44,660	44,660	93,154	81,442
G-Travel		20,203	20,203	41,361	41,158
J-Capital Outlays		18,060	18,060	9,630	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services				500,000	
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$0	\$401,183	\$401,183	\$1,218,650	\$667,412

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
Financial Analyst 3	47,016		0.1	0.1	0.2	0.2
Information Technology Specialist 4	61,956		0.4	0.2	0.2	
Project Manager 1	63,876				1.0	1.0
Total FTE's			1.5	0.7	2.4	2.2

III. C - Expenditures By Program (optional)

Program	FY 2008	FY 2009	2007-09	2009-11	2011-13
Insurance Services (020)				732,858	218,228
Specialty Compliance Services (060)		401,183	401,183	485,792	449,184
Total \$		401,183	401,183	1,218,650	667,412

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 remove what was Section 11 in SSB 6732. As a result three inspectors for the Fraud Audit Infraction and Revenue team, three auditors, and Attorney General costs associated with these FTEs are eliminated. With this removal expenditures are decreased and cash receipts are now zero.

Section 3: Adds a new section that prohibits a contractor from bidding on public works projects for one year from the final determination that the contractor has committed any combination of two of the following violations or infractions within a five-year period:

- 1) Intentionally falsifies reports or engages in a business without a certificate of coverage.¹
- 2) Performs work as an unregistered contractor.²

Section 4: Provides that a contractor found to have committed an infraction or violation is subject to penalties.³

Section 10: Extends the Joint Legislative Task Force on the Underground Economy to December 31, 2008.

Section 11: Requires L&I to create an expanded social marketing campaign aimed at consumers. This campaign will warn them of the risks and potential consequences of hiring unregistered

¹ RCW 51.48.020(1) (Intentional false reporting) or 51.48.103 (Engaging in a business without a certificate of coverage).

² RCW 18.27 (Contractor Registration)

³ Adds a new sections to RCW 18.27 (Contractor Registration)

contractors. It will also caution on assisting in the furtherance of the underground economy and will encourage legitimate contractors and the public to report fraud.⁴

Section 12: 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 December 1, 2014.⁵

Section 13: Requires the Institute for Public Policy to organize an advisory committee to establish benchmarks for future monitoring of underground economy in construction activities with the assistance of L&I, DOR, and ESD. Requires L&I, ESD, and DOR to delegate representatives to assist the advisory committee and to provide a preliminary report back on the committee's progress to the appropriate committees of the Legislature by December 31, 2009.

II. B – Cash Receipt Impact

None.

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:

- 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.
- Provide administrative support to the Joint Legislative Task Force on the Underground Economy.

⁴ Adds a new section to RCW 18.27 (Contractor Registration).

⁵ Adds a new section to RCW 43.22.

- Enhance current information technology to track building permit information, debar contractors that have violated the provisions of this bill, and implement the pilot project.

FTE Requirements

The following two positions are needed to meet these requirements:

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.

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.

Table 1
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
Total Cost	\$ 250,000

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)
- Internet Registration and Licensing citation cross match. (80 Hours)
- Update approval process in the Prevailing Wages - Intents and Affidavits system, 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. 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:

Fund Name, Fund #	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
001 – General Fund	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230	\$ 1,230
608 – Accident Account	\$ 1,199	\$ 4,346	\$ 3,935	\$ 3,935	\$ 3,935	\$ 3,935
609 – Medical Aid Account	\$ 1,199	\$ 4,346	\$ 3,934	\$ 3,934	\$ 3,934	\$ 3,934
Total	\$ 3,628	\$ 9,922	\$ 9,099	\$ 9,099	\$ 9,099	\$ 9,099

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

Individual State Agency Fiscal Note

Bill Number: 6732 2S SB	Title: Construction industry	Agency: 376-The Evergreen State College
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

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
Fund					
General Fund-State 001-1	0	45,275	45,275	0	0
Total \$	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.

Check applicable boxes and follow corresponding instructions:

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/18/2008
Agency Preparation: Janie Maki	Phone: (360) 586-2769	Date: 02/18/2008
Agency Approval: Steve Trotter	Phone: 360 867-6185	Date: 02/19/2008
OFM Review: Marc Webster	Phone: 360-902-0650	Date: 02/19/2008

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 the goal and to determine the extent of and projected costs to the state and workers of the underground economy in the construction industry.

Section 13 directs the Institute, with the assistance of the departments of Revenue, Labor & Industries, and Employment Security, to create an advisory committee to establish benchmarks for future monitoring of activities recommended by the task force on the underground economy in the construction industry.

A preliminary report is due December 31, 2008.

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.

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		28,169	28,169		
B-Employee Benefits		7,605	7,605		
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					
Total:	\$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
Senior Research Associate	92,052		0.3	0.2		
Total FTE's			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

Bill Number: 6732 2S SB	Title: Construction industry	Agency: 540-Employment Security Department
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.0	0.4	0.2	0.0	0.0
Fund					
Unemployment Compensation Administration Account-Federal 119-2	0	44,000	44,000	0	0
Total \$	0	44,000	44,000	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.

Check applicable boxes and follow corresponding instructions:

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- ☒ 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:	Phone:	Date: 02/18/2008
Agency Preparation: Candria Rauser	Phone: 360-902-9564	Date: 02/19/2008
Agency Approval: Randi Warick	Phone: 360-902-9423	Date: 02/20/2008
OFM Review: Tammy Hay	Phone: 360-902-0553	Date: 02/20/2008

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.

Senate Bill 6732 (and companion House Bill 3121) 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. The legislation also extends the duration of the Task Force for another year and extends ESD's role as a nonvoting member of the Task Force.

The substitute version of this legislation makes technical corrections to clarify terms, removes the requirement that an employer's violations of certain L&I provisions be willful, and changes the scope and duration of the advisory committee on benchmarking.

The second substitute version of this legislation removes the requirement for ESD and L&I to hire more auditors.

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.

The substitute legislation changes the wording from "contractor" to "applicant or registrant". It also changes the wording from violations under this "chapter" to violations under this "section".

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.)

The substitute legislation differs from the original bill by deleting the "willful" requirement before penalties can be imposed.

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.)

The substitute legislation differs from the original bill by deleting the "willful" requirement before penalties can be imposed.

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.

The substitute legislation differs from the original bill by deleting the "willful" requirement before penalties can be imposed.

Sec. 9. Willful violation of L&I requirements for reporting payroll or employee hours prohibits employers from bidding on public works contracts.

The substitute legislation differs from the original bill by deleting the "willful" requirement before penalties can be imposed.

*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.

*The second substitute removes section 11 of the substitute bill.

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

The second substitute renumbers section 12 to section 11.

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

The second substitute renumbers section 13 to section 12.

*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.

*The substitute version of this legislation provides expectations for the advisory committee: to establish benchmarks to measure effects of taskforce recommendations and to answer the baseline question to determine the magnitude of the problem. It also moves the reporting requirement of this from December 31, 2009, to December 31, 2008.

The second substitute renumbers section 14 to section 13.

Sec. 15. Severability clause for federal conformity.

The second substitute renumbers section 15 to section 14.

Sec. 16. Standard severability clause.

The second substitute renumbers section 16 to section 15.

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.

This would be a new activity for an already fully-obligated fund source. Activities in the base program would be delayed and/or eliminated to accommodate this one-time cost. Examples of activities that would be displaced to accommodate one-time implementation costs in this legislation include other computer programming and training needs, audits of businesses, and correcting benefits claims information, as well as longer wait times at TeleCenters and in District Tax Offices.

Another option for funding the activities required by this legislation is the State Unemployment Insurance Trust Fund under provisions of the "Reed Act" (Title IX of the federal Social Security Act).

*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. The legislation 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.

*The second substitute removes section 11 of the substitute bill. ESD therefore removed the costs of 1 FTE Auditor from the current fiscal note.

*Sec. 14. In the original version 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.

*The substitute version of this legislation provides expectations for the advisory committee: to establish benchmarks to measure effects of taskforce recommendations and to answer the baseline question to determine the magnitude of the problem. It also moves the reporting requirement from December 31, 2009, to December 31, 2008. The original estimate was reduced from 18 months to 6 months of work. This estimate is now the same as the estimate given above for the task force in Section 10.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years		0.4	0.2		
A-Salaries and Wages		30,000	30,000		
B-Employee Benefits		9,000	9,000		
C-Personal Service Contracts					
E-Goods and Services		5,000	5,000		
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					
Total:	\$0	\$44,000	\$44,000	\$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
ITS4	71,400		0.2	0.1		
WMS2	71,400		0.2	0.1		
Total FTE's			0.4	0.2		0.0

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.