

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy
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## Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Department of Labor and Industries	2,870	2,870	(11,943,694)	0	(12,986,106)	0
<b>Total \$</b>	<b>2,870</b>	<b>2,870</b>	<b>(11,943,694)</b>	<b>0</b>	<b>(12,986,106)</b>	<b>0</b>

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

## Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	.0	54,900	54,900	.0	(7,671,841)	0	.0	(8,139,056)	0
Department of Corrections	.0	0	0	.0	0	0	.0	0	0
Sentencing Guidelines Commission	.0	0	0	.0	0	0	.0	0	0
<b>Total</b>	<b>0.0</b>	<b>\$54,900</b>	<b>\$54,900</b>	<b>0.0</b>	<b>\$(7,671,841)</b>	<b>\$0</b>	<b>0.0</b>	<b>\$(8,139,056)</b>	<b>\$0</b>

Local Gov. Courts *	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Impact

Agency Name	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Department of Labor and Industries						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID 26907

FNS029 Multi Agency rollup

<b>Prepared by:</b> Matthew Bridges, OFM	<b>Phone:</b> (360) 902-0575	<b>Date Published:</b> Final
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID 26907

# Judicial Impact Fiscal Note

<b>Bill Number:</b> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy	<b>Agency:</b> 055-Admin Office of the Courts
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2010	FY 2011	2009-11	2011-13	2013-15
Counties					
Cities					
<b>Total \$</b>					

### Estimated Expenditures from:

<b>Non-zero but indeterminate cost. Please see discussion.</b>
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*The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.*

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.

Contact	Phone:	Date: 03/08/2010
Agency Preparation: Brian Backus	Phone: 360-705-5320	Date: 03/09/2010
Agency Approval: Dirk Marler	Phone: 360-705-5211	Date: 03/09/2010
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 03/09/2010

Request # -1

## **Part II: Narrative Explanation**

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

The changes in this striking amendment do not affect the courts. Therefore, the impact is the same as in the notes on the previous versions of the bill.

Section 1 amends provisions related to penalties for certain registration violations by contractors. Because these violations are handled under an administrative process provided in RCW Chapter 18.27, this amendment does not affect the courts.

Section 6 creates a new class C felony for a person to work as a contractor while unregistered if, after receiving a third or subsequent final infraction for working as a contractor while unregistered or while his or her registration is suspended or revoked, or under a registration issued to another contractor, he or she works as a contractor.

Section 8 creates new violations based on a contractors' relationships to others at a job site. Because these violations would be handled under an administrative process provided in RCW Chapter 18.27, this amendment does not affect the courts.

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

### **II. C - Expenditures**

It is not known how many new cases would be filed for the class C working as a contractor while registered in Section 8. However, it is expected that only a few cases would be filed and, therefore, the expenditure impact would be small.

## **Part III: Expenditure Detail**

## **Part IV: Capital Budget Impact**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
<b>Account</b>					
<b>Total \$</b>					

### Estimated Capital Budget Impact:

<b>Total \$</b>					

*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: 03/08/2010
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 03/08/2010
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 03/08/2010
OFM Review: Mike Steenhout	Phone: 360-902-0554	Date: 03/08/2010

Request # 173-1

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.

2SSB 6575 AMH CONW H5533.3 creates the contractor registration account. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable. Without projected cash flows, OST is unable to estimate the earnings from investments. The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

Based on the February 2010 Revenue Forecast, the net rate for estimating earnings for FY 11 is 0.82%, FY 12 is 2.01%, and FY 13 is 3.14%. Approximately \$8,200 in FY 11, \$20,100 in FY 12, and 31,400 in FY 13 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

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.

2SSB 6575 AMH CONW H5533.3 creates the contractor registration account. Earnings from investments will be credited to the general fund.

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.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
Total:					

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> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates



No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2010	FY 2011	2009-11	2011-13	2013-15
General Fund-State 001-1		2,870	2,870	(11,943,694)	(12,986,106)
Contractor Registration Acct-State NEW-1				11,943,694	12,986,106
<b>Total \$</b>		2,870	2,870		

### Estimated Expenditures from:

Account	FY 2010	FY 2011	2009-11	2011-13	2013-15
General Fund-State 001-1	0	54,900	54,900	(7,671,841)	(8,139,056)
Contractor Registration Acct-State NEW-1	0	0	0	7,671,841	8,139,056
<b>Total \$</b>	0	54,900	54,900	0	0

### Estimated Capital Budget Impact:

	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	\$0	\$0	\$0	\$0	\$0	\$0

Request # 6575 2S SB-1



*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: 03/08/2010
Agency Preparation: Steven D Elwanger	Phone: 360-902-6319	Date: 03/10/2010
Agency Approval: Victoria Kennedy	Phone: 360-902-4997	Date: 03/10/2010
OFM Review: Matthew Bridges	Phone: (360) 902-0575	Date: 03/10/2010

Request # 6575 2S SB-1

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 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services		54,900	54,900		
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					
9-					
Total:	\$0	\$54,900	\$54,900	\$0	\$0

III. C - Expenditures By Program (optional)

Program	FY 2010	FY 2011	2009-11	2011-13	2013-15
Specialty Compliance Services (060)		54,900	54,900		
Total \$		54,900	54,900		

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.*

See attached.

## Part II: Explanation

This legislation:

- Authorizes Labor and Industries (L&I) to reduce fines for a contractor who fails to register if the contractor meets certain requirements.
- Requires the department to approve or conduct contractor training classes and charge a fee that covers the cost of administering the program.
- Authorizes a new dedicated contractor registration account to be created and revenue from the contractor registration to be deposited into the new account.
- Increases the minimum public works contract amount from \$20,000 to \$35,000 subject to a priority lien on the contract retainage.
- A contractor found to be working on a jobsite as an unregistered contractor for the fourth time, after receiving three previous infractions for being an unregistered contractor, will be guilty of a Class C felony.
- Allows L&I to issue an infraction to a contractor who is:
  - Working on the same jobsite with more than two contractors that are performing the same task.
  - The contractors working together have no employees on the jobsite that are covered under industrial insurance according to Title 51 RCW.
  - Work performed on single family residences is exempt from this infraction.

This bill takes effect as follows:

Effective	Description
July 1, 2011	Depositing fees from contractor registration into the Contractor Registration Account.
July 1, 2011	The creation of the Contractor Registration Account with the State Treasurer's Office.
July 1, 2011	Penalties and class fees will be deposited into the Contractor Registration Account.
December 1, 2010	L&I to report measures of the effectiveness of Section 8 of this bill and each year thereafter.
90 days from sine die	The remaining portions of the bill.

The fiscal impact of this fiscal note is the same as the fiscal note for 2SSB 6575 H5473.1 submitted March 10, 2010. This bill is different from previous bill version for fiscal note 2SSB 6575 H5473.1 submitted March 10, 2010 by:

- Adding the section creating a class C felony for certain unregistered contractor activity.
- Exempts the infraction for work on single family residences for more than two contractors working on the same jobsite performing the same task without employees.
- Requires L&I to report on the measures of effectiveness of Section 8 of this bill.

## **II. A – Brief Description of what the Measure does that has Fiscal Impact**

**Section 1 (3)** Allows for the reduction of the minimum penalty under RCW 18.27.200 to be reduced from \$1,000 to \$500 if:

- It is the contractor's first offense.
- The contractor registers for an L&I approved contractor training class within ten days of receiving a notice of infraction.
- Completes the class within one hundred twenty days of receiving the notice of infraction.
- Pays any required class fees upon class registration.

**Section 1 (4)** Beginning July 1, 2011, all penalties and class fees collected shall be deposited in the contractor registration account.

**Section 2** L&I may conduct or approve contractor training classes and charge a fee for the classes.

**Section 3 (3)** L&I will deposit all contractor registration fees in the contractor registration account effective July 1, 2011.

**Section 4** The Contractor Registration Account with the State Treasurer's Office is created effective July 1, 2011.

**Section 5** Increases the minimum public works contract amount from \$20,000 to \$35,000 for priority liens on the contract retainage for any taxes owed to the Department of Revenue.

**Section 6** Amends RCW 18.27.020 by adding language that a person is guilty of a class C felony if that person is a contractor that has received three infractions for being an unregistered contractor and is found on a jobsite working for the fourth time as an unregistered contractor.

**Section 8** Adds a new section to chapter 18.27 RCW by allowing L&I to issue a contractor an infraction if on a single job site:

- Work is performed together on the same task by more than two contractors.
- The contractors working together have no workers on the jobsite subject to coverage of industrial insurance under Title 51 RCW.
- If work is performed on a single family residence, this infraction does not apply.

The infraction penalty will be a minimum of \$1,000. The contractor will have the opportunity to reduce the first violation penalty to \$500 if the contractor takes the department approved contractor training.

**Section 9** Requires L&I to report measures of the effectiveness for Section 8 of this bill.

**Section 11** Sections 3 and 4 of this legislation take effect July 1, 2011.

## **II. B – Cash Receipt Impact.**

As a result of this legislation, the following assumptions are made regarding revenues:

The Department of Labor and Industries (L&I) will collect revenues and deposit them into the new Contractor Registration Account effective July 1, 2011 according to Sections 1 through 4 of this bill. Currently all revenues are deposited into the General Fund State Account.

### **Additional Infraction Revenue**

Section 8 Adds a new section to chapter 18.27 RCW by allowing L&I to issue a contractor an infraction if on a single job site work is performed together on the same task by more than two

contractors. The contractors working together have no workers on the jobsite subject to coverage of industrial insurance under Title 51 RCW. The infraction penalty will be a minimum of \$1,000. The contractor will have the opportunity to reduce the first violation penalty to \$500 if the contractor takes the department approved contractor training.

The program will write four additional infractions per month for contractors working at the same job site without workers, which equals 48 infractions per year. The program assumes 50 percent will take the contractor training class for a reduction in penalty. 24 infractions per year will be issued at \$500 each and the remaining 24 infractions per year will be issued at \$1,000 each. Therefore, the total revenue from this infraction will be \$36,000:

Description	Penalty Amt	# of Infractions	Total Annual Revenue
Revenue from Reduced Penalties	500	24	\$12,000
Revenue from Penalties not Reduced	1,000	24	24,000
Total		48	\$36,000

#### **Revenue from Infractions for Contractors Working at the Same Job Site without Workers**

Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
001-1	36,000				
New Acct-1		36,000	36,000	36,000	36,000

#### **Contractor Training Fees**

According to Section 1 of this legislation, one of the requirements that an unregistered contractor must meet in order for an unregistered contractor's penalty to be reduced is to complete a contractor training class. Also, L&I is given the authority to charge a fee for this class. Revenue from contractor training class fees is based on the following assumptions:

- 600 unregistered contractors each year are assessed an unregistered contractor's penalty for a first time violation.
- Of the 600 unregistered contractors, five percent of the contractors will take the contractor training class in order to reduce their penalty.
- Thirty contractors will take the contractor training class each year ( $600 * 5\% = 30$ ).

- Twenty four contractors will take the contractor training class each year that receive the reduced infraction for contractors working on the same job site with other contractors without employees (see additional infraction revenue above).
- Therefore a total of 54 contractors will take the contractor training class each year. (30 from the standard unregistered contractor's penalty + 24 from the new infraction for working on the same job site with other contractors without employees).
- The department will charge thirty dollars per person for the contractor training class to cover the costs of providing the training.
- \$1,620 of additional revenue will be received from unregistered contractors taking the contractor training class (54 contractors x \$30 class fee = \$1,620).

### **Course Provider Fees**

According to Section 2, L&I has the authority to approve contractor training classes provided by other entities or individuals (course providers). Revenue from course provider fees is based on the following assumptions:

- With the amount of revenue from course provider fees limited to an estimated \$900 of contractor training fees each year, we assume that no more than five course providers each year will submit a request to L&I for approval to provide the contractor training course.
- A \$250 fee will be charged for each course provider approved by L&I.
- \$1,250 will be collected each year from course provider fees (5 providers x \$250 provider fee = \$1,250).

Therefore, the total revenue collected for contractor training will be \$2,870 per fiscal year (\$1,620 per fiscal year for first time unregistered contractor participants + \$1,250 per fiscal year for course provider approval fees).

### **Revenue from Contractor Training and Course Provider Fees**

<b>Fund</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
001-1	2,870				
New Acct-1		2,870	2,870	2,870	2,870



### **Unregistered Contractor Penalty Revenue**

The Contractor Compliance Program at Labor and Industries already reduces penalties for a first time violation infraction from \$1,000 to \$500 for unregistered contractors. Our assumption is the five percent of contractors who become registered and take the classes will be the same as contractors who, without the law change, will become registered and have their penalty reduced to \$500. Therefore, there is no impact to this penalty revenue.

The increase in the public works contract amount from \$20,000 to \$35,000 for priority liens over all other liens will not have an impact to revenue for the Contractor Compliance Program. No additional outstanding premium revenue was collected from the retainage of public works contracts during the last fiscal year where the contract amount was \$20,000 to \$35,000.

Below is a summary of the fund impact of revenue being deposited into the new Contractor Registration Account and the corresponding impact to the General Fund State Account (includes the \$2,870 per year in additional contractor training):

#### **Impact of Revenue Transferring from General Fund State Acct to new Contractor Registration Acct**

<b>Fund</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
001-1	0	(5,846,973)	(6,096,721)	(6,357,209)	(6,628,897)
New Acct	0	5,846, 973	6,096,721	6,357, 209	6,628, 897
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Revenue is increasing year to year based on fiscal growth factors. Beyond Fiscal Year 2012 the fiscal growth factor is an average of 4.3 percent per fiscal year.

## **II. C – Expenditures**

According to Section 4 of this legislation, expenditures will take place within the new Contractor Registration Account. Below is a summary of the fund impact of expenditures that will be expensed against the new Contractor Registration Account and the corresponding impact to the General Fund State Account.

**Impact of Expenditures transferring from the General Fund State Acct to the new Contractor Registration Acct**

<b>Fund</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
001-1	0	(3,779,232)	(3,892,609)	(4,009,387)	(4,129,669)
New Acct	0	3,779,232	3,892,609	4,009,387	4,129,669
Total	0	0	0	0	0

Expenditures are increasing year to year based on an average inflation rate of three percent. Fiscal Year 2011 is based on the total allotted expenditures for the General Fund State to administer and operate the Contractor Registration and Compliance Program at Labor and Industries.

**Coordinating Contractor Training Classes**

The program contractor training classes and class approval process can be absorbed with existing resources. However, if the program is forced to make additional General Fund State reductions in the future, this public outreach function of providing contractor training classes may be eliminated.

**Information Technology Costs**

The following information technology resources are needed to carry out the functions of this bill:

- Six hundred ten hours of contract programming will involve a one-time programming project for the QuickCards Infraction Citation Writer system, Front Counter Revenue Recording application, and the Accounts Receivable Collection system.
- The systems updates must be completed by July 1, 2011 (before Fiscal Year 2012) according to Section 11 of this bill. Therefore, the contract programming costs need to be completed within Fiscal Year 2011.
- 0.05 of an existing FTE – Information Technology Specialist 5 to coordinate changes between the QuickCards Infraction Citation Writer system, Front Counter Revenue Recording application, and the Agency Receivable Collection system. This will require an internal Information Technology Specialist 5 staff time of approximately 100 working hours, which equates to \$5,012 of salaries and benefits and can be absorbed with existing resources.

**Section 9** of this bill requires L&I to report measures of the effectiveness of Section 8 of this bill involving infractions issued to contractors working on the same jobsite with more than two contractors that are performing the same task, have no employees on the jobsite, and the jobsite is not a single family residence. This requirement will involve information technology contract programming work for updating the QuickCards/Infraction Citation Writer system to keep track of the penalty data along with other programming costs to track new revenue sources as referenced below.

**Contract Programming Costs**

# of Hours	Hourly Rate	Total	Task
400	\$90	\$36,000	Update QuickCards/Infraction Citation Writer system and Front Counter Revenue Recording application: <ul style="list-style-type: none"> <li>• Add new infraction status code.</li> <li>• Add new work lists.</li> <li>• Add new reporting changes.</li> <li>• Update to add new general ledger codes for the dedicated contractor accounts and fee schedule.</li> <li>• Add Fee schedule item for the training class.</li> </ul>
210	\$90	\$18,900	Updates to the Accounts Receivable Collection system (ARC): <ul style="list-style-type: none"> <li>• Update roughly 120 ADABAS and Visual Basic modules to handle communication with contractor registration (or application owning the debt).</li> <li>• The Contractor Registration system will determine the fees, penalties, and write-off amounts and communicate this receivable information to ARC using ARC's standard interfaces and procedures.</li> </ul>
610	\$90	\$54,900	Total

#### **Part IV: Capital Budget Impact**

None.

#### **Part V: New Rule Making Required**

Yes. Chapter 296-200A WAC

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy	<b>Agency:</b> 310-Department of Corrections
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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.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/08/2010
Agency Preparation: Dawn Deck	Phone: (360) 725-8510	Date: 03/09/2010
Agency Approval: Susan Lucas	Phone: (360) 725-8277	Date: 03/09/2010
OFM Review: Adam Aaseby	Phone: 360-902-0539	Date: 03/09/2010

Request # 115-1

## 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 1 - Subsection (3) adds that for the first offense, the director may reduce the penalty for failure to register but no case below five hundred dollars, if the person becomes registered within ten days of receiving a notice of infraction, and registers for a department approved contractor training class under section 2 of and completes the class within one hundred and twenty days of receiving the notice of infraction, and pays any required class fees upon class registration. Subsection (4) Adds - "until July 1, 2011, all monetary penalties collected under this chapter shall be deposited in the general fund. Beginning July 1, 2011, monetary penalties and class fees collected under this chapter shall be deposited in the contractor registration account created in Section 4 of this act."

New Section 2 – a new section is added to chapter 18.27 RCW is added that the Department will approve or conduct contractor training classes and charge a fee, payable upon class registration that covers the costs of administering the class. The Department may adopt rules relating to the number of classes to be offered by the Department, the locations of these classes, class fees, and curriculum. In determining the location of these classes, the Department may consider offering online classes and ensure that classes are reasonably assessible in Eastern and Western Washington.

Section 3 - adds Subsection (3) The Department shall deposit all fees in the contractor registration account created in section 4 of this act.

New Section 4 - adds a new section to RCW 18.27. The contractor registration account is created in the state treasury. The Department shall deposit in the account all moneys from registrations, renewals, or civil penalties assessed and collected under this chapter. Appropriations from the account may be made only for the purposes of administration of this chapter, including contractor training classes under section two.

Section 5 - replaces "twenty" with "thirty-five".

Section 6 - replaces "citation" with "notice of infraction". Subsection (6) is added to include the following " a person is guilty of a class C felony if, after receiving a third or subsequent final infraction for working as a contractor while unregistered, while his or her registration is suspended or revoked, or under a registration issued to another contractor, he or she works as a contractor while unregistered, while his or her registration is suspended or revoked, or under a registration issued to another contractor.

New Section 7 - The legislature finds that the state loses over one hundred million dollars a year in taxes due to the underground economy activity, causing great inequity to law-abiding businesses and taxpayers. En employer in construction is required to pay industrial insurance and unemployment taxes for a worker unless a seven-part independent contractor test is met, which includes that the worker is free from direction and control and his or her own books and records. Some contractors avoid taxes by engaging multiple contractors to work together on the same task and treating the contractors as independent contractors rather than hiring and paying taxes on these persons as covered workers. If multiple contractors are working together on the same task on a job site, the contractors must be working under direction and control such that they are not independent contractors but are covered workers.

The seven-part test is and should continue to be applied in investigations of underground economy activity. The legislature finds that prohibiting up front certain contracting which by its nature creates a situation in which taxes due are not paid will provide clarity to contractors and provide an additional cost effectiveness means to reduce the underground economy. By enacting section 8, the legislature intends to define the prohibited contracting narrowly to assure no legitimate contracting is prohibited. The legislature further intends that nothing in section 8 of this act prohibits a contractor from engaging other contractors to assist with tasks so long as those contractors are treated as covered workers.

New Section 8 - a new section is added to chapter 18.27 RCW to: 1) contractor commits a violation under this chapter and is subject to an infraction if on a single job site, work is performed together on the same task by more than two contractors who bring no workers to that job site are subject to the mandatory coverage of Title 51 RCW. 2) contractors are working in the same trade or craft on a single job site, the contractors have the burden of proof to show that they are not working together on the same task. The violation under subsection (1) of this section is committed by all parties to the contract. 4) a contractor found to have committed an infraction under this section shall be assessed a fine of not less than one thousand dollars, nor more than five thousand dollars. For the first offense, the director may reduce the penalty to no less than five hundred dollars if the contractor registers for a department-approved training class under section 2 of this act within ten days of receiving a notice of infraction, completes the class within one hundred twenty days of receiving the notice of infraction, pays any required class fees upon class fees upon class registration. For a second or subsequent offense under this section, the director may suspend the registration of the contractor. 5) the purpose of this section a "job site" is a single physical address. 6) this section does not apply to work performed on a single-family residence.

Section 9 - Added to this section is "the Department of Labor and Industries may include in its report its measures of the effectiveness of section 8 of this act.

New Section 10-Section 9 of this act is codified as a new section in chapter 43.22 RCW.

New Section 11 - Sections 3 and 4 of this act take effect July 1, 2011.

## **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 bill creates a new class C felony offense for a third or subsequent final infraction. Currently all infractions are gross misdemeanors. The Sentencing Guidelines Commission does not track gross misdemeanor data and, therefore, is unable to provide bed impact analysis. Unranked class C felonies have a standard range of 0 to 12 months and a statutory maximum of 60 months. Any impact would affect jail beds only.

## **Part III: Expenditure Detail**

**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> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy	<b>Agency:</b> 325-Sentencing Guidelines Commission
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## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

<b>ACCOUNT</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	<b>FY 2010</b>	<b>FY 2011</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>
<b>Account</b>					
<b>Total \$</b>					

### Estimated Capital Budget Impact:

<b>Total \$</b>					

*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.

<b>Legislative Contact:</b>	<b>Phone:</b>	<b>Date:</b> 03/08/2010
<b>Agency Preparation:</b> Keri-Anne Jetzer	<b>Phone:</b> 360-407-1070	<b>Date:</b> 03/08/2010
<b>Agency Approval:</b> Keri-Anne Jetzer	<b>Phone:</b> 360-407-1070	<b>Date:</b> 03/08/2010
<b>OFM Review:</b> Adam Aaseby	<b>Phone:</b> 360-902-0539	<b>Date:</b> 03/08/2010

Request # 325-10-056-1

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.

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 bill would require modification of the Commission’s database and data entry programs. The agency’s budget does not have funding for updating the database or data entry programs. We estimate it would take approximately 10 hours to update the database or data entry programs to reflect the change in this bill. Using a fee estimate of \$110/hr, the cost would be \$1,100.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
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					
9-					
Total:	\$0	\$0	\$0	\$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.

**2SSB 6575 AMH CONW H5533.3**  
**CONCERNING UNDERGROUND ECONOMY**  
**325 – Sentencing Guidelines Commission**  
**March 8, 2010**

**SUMMARY**

**A brief description of what the measure does that has fiscal impact**

Section 6      Amends RCW 18.27.020 and 2007 c 436 s 2 to reflect the following:

Makes a third or subsequent final infraction for working as an unregistered contractor, while registration is revoked or suspended, or while working under another contractor's registration, when unregistered, when his or her registration is suspended or revoked, a Class C Felony.

**EXPENDITURES**

**Assumptions**

None

**Impact on the Sentencing Guidelines Commission**

This bill would require modification of the Commission's database and data entry programs. The agency's budget does not have funding for updating the database or data entry programs. We estimate it would take approximately 10 hours to update the database or data entry programs to reflect the change in this bill. Using a fee estimate of \$110/hr, the cost would be \$1,100.

**Impact on prison and jail beds**

This bill creates a new class C felony offense for a third or subsequent final infraction. Currently, all infractions are gross misdemeanors. The Sentencing Guidelines Commission does not track gross misdemeanor data and, therefore, is unable to provide bed impact analysis. Unranked class C felonies have a standard range of 0 to 12 months and a statutory maximum of 60 months. Any impact would affect jail beds only.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 6575 2S SB AMH CONW H5533.3	<b>Title:</b> Underground economy
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☐ Cities:
- ☒ Counties: Superior court, prosecutor, defense and jail costs; see Administrative Office of the Courts fiscal note for court impacts
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Number of class C felonies after three state registration citations

### Estimated revenue impacts to:

Indeterminate Impact
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### Estimated expenditure impacts to:

Indeterminate Impact
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## Part III: Preparation and Approval

Fiscal Note Analyst: Anne Pflug	Phone: 509-925-2608	Date: 03/09/2010
Leg. Committee Contact:	Phone:	Date: 03/08/2010
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/09/2010
OFM Review: Matthew Bridges	Phone: (360) 902-0575	Date: 03/09/2010

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

This bill amends current law, making construction contractors subject to a class C felony after a third citation from the Department of Labor and Industries related to business registration.

#### **DIFFERENCES BETWEEN VERSIONS RELATED TO LOCAL GOVERNMENT**

Sec. 8 -- Defines in more detail the circumstances that would led to an administrative infaction.

#### **SECTIONS WITH POTENTIAL IMPACT ON LOCAL GOVERNMENT**

Sec. 4 -- Creates a state treasury account to defray the costs of registration administration and enforcement.

Sec. 5 -- Amends existing statutes related to lien priorities on retainage on public works contracts making the provision uniformly applicable to contracts of \$35,000 or more.

Sec. 6 to 8 -- A contractor who receives a third or subsequent citation from the Department for failing to register as a contractor is guilty of a class C felony if that person works while unregistered under a list of circumstances in Section 8.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

This bill would have a minor to no impact on county expenditures from the creation of a new class C felony with county jail sentence sanctions. See Administrative Office of the Courts fiscal note for impact on Superior Court. The Administrative Office of the Courts estimated that the number of cases under the new felony provision would be small. Section 4 of the bill creates a state account to reimburse costs of administering and enforcing the contractor registration program. It is unclear whether counties would be reimbursed for expenses related to the Class C felonies processed under Section 6 of the bill.

### **C. SUMMARY OF REVENUE IMPACTS**

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

This bill would have an indeterminate impact on local government revenue. Expenses for contractor registration enforcement may be reimbursed as an administrative expense through a state account created in Section 4. Whether local government costs of processing Class C felonies created in Section 6 are to be reimbursed is unclear. These costs would include county expenses for court, prosecution, public defense, probation and jail.