

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6421 SB	<b>Title:</b> Prevailing wage/public works	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.0	1.1	0.6	1.1	1.1
<b>Account</b>					
Public Works Administration Account-State 234-1	0	90,000	90,000	152,000	152,000
<b>Total \$</b>	0	90,000	90,000	152,000	152,000

### Estimated Capital Budget Impact:

NONE

*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 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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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).

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Capital budget impact, complete Part IV.

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Requires new rule making, complete Part V.

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## 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 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		1.1	0.6	1.1	1.1
A-Salaries and Wages		40,097	40,097	80,194	80,194
B-Employee Benefits		13,800	13,800	27,600	27,600
C-Personal Service Contracts					
E-Goods and Services		24,684	24,684	39,366	39,366
G-Travel		2,420	2,420	4,840	4,840
J-Capital Outlays		9,000	9,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$90,001	\$90,001	\$152,000	\$152,000

### 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 2012	FY 2013	2011-13	2013-15	2015-17
Customer Service Specialist 2	36,756		1.0	0.5	1.0	1.0
Fiscal Analyst 2	40,524		0.1	0.1	0.1	0.1
<b>Total FTE's</b>	77,280		1.1	0.6	1.1	1.1

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

Program	FY 2012	FY 2013	2011-13	2013-15	2015-17
Specialty Compliance Services (060)		90,000	90,000	152,000	152,000
<b>Total \$</b>		90,000	90,000	152,000	152,000

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**Part IV: Capital Budget Impact**

NONE

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.*

WAC 296-127 will need to be updated. The department currently has a policy but no rules on this topic. Rules must be adopted per Section 1 of this bill.

## **Part II: Explanation**

This bill authorizes certain contractors and subcontractors to file an Affidavit of Wages Paid form on behalf of their nonresponsive subcontractors. A nonresponsive subcontractor means that a subcontractor has ceased operations or failed to file the Affidavit per RCW 39.12.040. The filing may not be earlier than 31 days after final acceptance of the public works project.

This bill takes effect 90 days from sine die.

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

Section 2 (1) (b) authorizes certain contractors and subcontractors to file an Affidavit of Wages Paid form on behalf of their nonresponsive subcontractors.

### **II. B – Cash Receipt Impact**

None.

### **II. C – Expenditures**

Currently, there is no specific statutory provision addressing the issue. Therefore, the Department of Labor and Industries (L&I) expects that there will be an increase in these filings, which will require additional staff to review and processing time. More staff time is needed to issue notices of violation (NOVs) against those noncompliant subcontractors.

Currently, an Industrial Relations Agent 2 (IRA2) with the assistance of a Customer Service Specialist 2 (CSS2) spends about a third of the IRA2 FTE time reviewing “filing on behalf of” (FOBO) requests and processing NOVs related to the requests. In 2011, the Department received 279 FOBO requests. If this bill is adopted, the department anticipates 100 to 150 percent increase in the number of FOBO requests or approximately additional 280-420 requests per year. We also anticipate a corresponding increase in the number of NOVs to those nonresponsive subcontractors.

The following resources are needed to carry out the functions of this bill that impact our department:

1.0 CSS 2 FTE is based on the following workload assumptions:

- Process requests filed by contractors under this legislation.
- Issue NOVs against those noncompliant subcontractors.

### **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 PC equipment.

### **Indirect Costs**

The amount included in this fiscal note for indirect is:

Fund	Name	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
234	Public Works Administration Account	4,960	4,960	4,960	4,960	4,960
	Total	4,960	4,960	4,960	4,960	4,960

### **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 funding approved in the 2011- 13 Budget. The biennial average indirect rates for are shown below for both years:

Program	Indirect Rate
Specialty Compliance Services	7.0%

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 2 (Range 44, Step G).

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.

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

None.

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

Yes. WAC 296-127.