

Individual State Agency Fiscal Note

Bill Number: 6317 S SB	Title: Prevailing rate of wage	Agency: 235-Department of Labor and Industries
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Public Works Administration Account-State 234-1		451,560	451,560	903,120	903,120
Total \$		451,560	451,560	903,120	903,120

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	2.7	1.4	3.6	3.4
Account					
Public Works Administration Account-State 234-1	0	564,000	564,000	904,000	726,000
Total \$	0	564,000	564,000	904,000	726,000

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:

- ☒ 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: 02/06/2014
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Request # 069-FPLS-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 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		2.7	1.4	3.6	3.4
A-Salaries and Wages		190,000	190,000	331,000	312,000
B-Employee Benefits		68,000	68,000	118,000	112,000
C-Professional Service Contracts					
E-Goods and Other Services		277,000	277,000	423,000	298,000
G-Travel		2,000	2,000	5,000	4,000
J-Capital Outlays		27,000	27,000	27,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$564,000	\$564,000	\$904,000	\$726,000

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 2014	FY 2015	2013-15	2015-17	2017-19
Data Compiler 1	33,468				1.0	1.0
Fiscal Analyst 2	40,524		0.4	0.2	0.4	0.4
Industrial Relations Agent 2	51,864				1.0	1.0
Industrial Relations Agent 4	61,632		0.3	0.2	1.2	1.0
Information Technology Specialist 4	71,496		1.0	0.5		
WMS-Project Manager	89,496		1.0	0.5		
Total FTE's	348,480		2.7	1.4	3.6	3.4

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 bill requires the Department of Labor and Industries (L&I) to use a stratified random sampling methodology for collecting data used to establish the prevailing rate of wage.

This bill takes effect 90 days from sine die.

The elements of this bill that differ from S 3958.1 and are of interest or impact to L&I are:

- References to the civil penalty of \$500 have been removed from Section 2.

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

Section 1 (1) requires L&I use a stratified random sampling methodology for establishing the prevailing rate of wage.

Section 2 (1) provides instruction on how to conduct the new methodology.

Section 2 (2) requires recipients of the wage survey to reply within a specified time frame.

While this bill does not specifically address a penalty for the recipient not submitting a completed survey, RCW 39.12.050 gives L&I authority to assess a civil penalty of five hundred dollars (\$500.00) for failure to file a statement or record required under this chapter.

Sections 3 and 4 change terminology from “the performance of adequate wage surveys” to “collecting data to establish the prevailing rate of wage”. Several rules in WAC 296-127 will need to be updated to reflect this change.

Section 5 (23) exempts data collected by L&I in establishing the prevailing wage rate from the Public Records Act.

II. B – Cash Receipt Impact

This bill increases cash receipts to the Public Works Administration Account, Fund 234. The following assumptions were made in developing the estimates:

- *While this bill does not specifically address a penalty for the recipient not submitting a completed survey, RCW 39.12.050 gives L&I authority to assess a civil penalty of five hundred dollars (\$500.00) for failure to file a statement or record required under this chapter.*
- L&I currently sends an average of 40,000 surveys annually.
- This bill instructs the department to send surveys to 30 percent of the eligible recipients, so approximately 12,000 recipients will receive surveys ($40,000 \times .30$).
- Based on our current experience, 80 percent of those will not reply to the initial survey and will need to be contacted as stipulated in the bill, resulting in 9,600 follow up contacts needed ($12,000 \times .80$).
- It is assumed that 50 percent of 9,600 will not reply, and will need to be contacted as stipulated in the bill, for 4,800 additional follow up contacts needed ($9,600 \times .50$).
- It is assumed that 50 percent of the 4,800 will not reply, resulting in 2,400 civil penalties being assessed ($4,800 \times .50$).
- The potential increase in annual penalty revenue is \$1,200,000 ($2,400 \text{ penalties} \times \500).
- The department's Prevailing Wage program currently collects *one percent* of the penalties assessed, creating an increase to cash receipts of approximately \$12,000 per year ($\$1,200,000 \times .01$).
- The remaining \$1,188,000 in unpaid penalties ($\$1,200,000 \times .99$) will be referred to the department's Collection program. The current average collection rate is 37 percent, adding an additional \$439,560 in cash receipts ($\$1,188,000 \times .37$).
- Total cash receipts will increase approximately \$451,560 (\$12,000 initially plus \$439,560 through the collections process).

II. C – Expenditures

This bill increases expenditures to the Public Works Administration Account, Fund 234. The following assumptions were made in developing the estimates:

- Stratified random sampling is a statistical sampling methodology that divides a survey population into groups or strata, and takes a random sample of each group. In this case, the strata are defined as the trades or occupations whose wage is being estimated. Since the data is defined by risk class, and not occupation, no strata will be defined and a simple random sample will be taken across all relevant risk classes in the state.
- Implementing stratified random sampling methodology would replace the current survey process L&I uses for collecting the data to establish the prevailing rate of wage.
- Currently, L&I's survey staff is comprised of an Economic Analyst 2 and a Data Compiler 3.
- L&I's existing Economic Analyst 2 and Data Compiler 3 will work in conjunction with the department's Research and Data Services and Actuarial staff to research and implement this new survey methodology.
- As stated in the cash receipt assumptions, the department expects to assess 2,400 civil penalties under the provisions of this bill. Currently, the Prevailing Wage program processes approximately 360 penalties per year manually. A computer application will need to be created to assist with this increased volume in penalties. That application will also assist in recipient reply tracking, the follow up phone calls, creating the notice of violation (NOV), and Director's order (DO) processes.
- Survey submission by recipients will continue to be done by mail.

The following additional resources are necessary to execute this bill:

Staffing

- One (1.0) FTE Data Compiler 1, permanent, beginning July 1, 2015. Duties will include maintaining the recipient reply component of the computer application.
- One (1.0) FTE Industrial Relations Agent 2, permanent, beginning July 1, 2015. Duties will include maintaining and monitoring the NOV and DO lists created by the application and evaluating when issuing the NOV and DO documents is appropriate.
- One (1.0) FTE Industrial Relations Agent 4, permanent, beginning July 1, 2015. Duties will include assisting recipients in submitting their survey data.
- 0.3 FTE Industrial Relations Agent 4, temporary, from July 1, 2014 through June 30, 2016 to create the necessary documents that will be involved in the NOV and DO process.

Information Technology

- One (1.0) FTE Information Technology Specialist 4, from July 1, 2014 to June 30, 2015. Duties include working with the Prevailing Wage program staff to develop the business requirements and process impacts.
- One (1.0) WMS Project Manager, from July 1, 2014 to June 30, 2015. Duties include planning and managing implementation of all of the phases of the building the application.
- 3,360 hours of Contract Programming, at \$94 per hour for a total of \$315,840. Duties include designing the functional requirements relating to: creating and developing a recipient list; developing interfaces to retrieve data to help identify potential survey recipients; developing interfaces to send the penalty receivables to our Accounts Receivable and Collections (ARC) system; developing, testing and implementing new receivable types in ARC, developing and implementing the required follow up phone calls stipulated in this bill; generating NOV and DO lists; and generating the NOV and DO documents.

Attorney General Costs

- The Attorney General Office estimates 0.2 FTE Assistant Attorney General and 0.1 FTE Legal Assistant, for a total annual cost of \$39,994 beginning in Fiscal Year 2016 and each fiscal year thereafter. This estimate is based on their office receiving 36 appeals cases, based on a 1.5 percent appeal rate (2,400 penalties x 0.015 = 36 appeals).

Office of Administrative Hearings

- The Office of Administrative Hearings estimates their costs at \$49,248 per year beginning in Fiscal Year 2016 and each fiscal year thereafter. This estimate is based the average Prevailing Wage hearing taking 11.4 hours of Administrative Law Judge time. At an hourly rate of \$120 per hour, the average cost is \$1,368 per hearing. 36 appeals at \$1,368 per hearing equals \$49,248 per year.

Rule Making

- One rule making hearing will be required to amend several rules in WAC 296-127.

Indirect Costs

The amount included in this fiscal note for indirect is:

Fund	Name	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
234	Public Works Admin Account	\$0	\$17,000	\$15,000	\$14,000	\$14,000	\$14,000

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 2 (Range 44, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

This legislation would result in rule changes to:

- 296-127, Prevailing Wage.