

State of Washington
Department of Labor and Industries
 Decision Package

Decision Package Code/Title	RG	General Fund State Reduction - 10%
Budget Period	FY 12	Supplemental Budget
Budget Level	PL	Policy/Performance Level

Recommendation Summary

Consistent with the directive issued by the Governor, the Department of Labor and Industries proposes a ten percent reduction to its 2011-13 Biennium General Fund State appropriation. This proposal reduces funding by \$3,808,000 in the Crime Victims' Compensation, Specialty Compliance program, and related indirect costs.

Fiscal Detail

Change to Agency' Staff and Expenditures:

	FY 2012	FY 2013	TOTAL
Staffing:			
001-1 General Fund State	(9.5)	(19.0)	(14.3)
TOTAL FTEs	(9.5)	(19.0)	(14.3)

	FY 2012	FY 2013	TOTAL
Operating Expenditures:			
001-1 General Fund State	(1,945,000)	(3,758,000)	(5,703,000)
TOTAL Expenditures	(1,945,000)	(3,758,000)	(5,703,000)

Change to Revenue:

	FY 2012	FY 2013	TOTAL
Revenue:			
Various in 02 72/ 04 05	(632,000)	(1,263,000)	(1,895,000)
TOTAL Revenue	(632,000)	(1,263,000)	(1,895,000)

Total Net Impact:

	FY 2012	FY 2013	TOTAL
Expenditures - Revenue:			
001-1 General Fund State	(1,313,000)	(2,495,000)	(3,808,000)
TOTAL	(1,313,000)	(2,495,000)	(3,808,000)

Package Description

Reduction in Crime Victim’s Compensation Program – (5% and 10%)

The Crime Victims Compensation Program receives federal grant monies in each fiscal year which are calculated at approximately 60 percent of the state dollars spent three years prior. The program will maximize the use of its federal funds in Fiscal Years 2012 and 2013. Using Federal Funds rather than state General Funds will permit a GFS reduction of \$2,277,000.

Reductions in Indirect Programs – (10%)

Each year, Labor and Industries (L&I) uses the cost allocation model to realign the indirect expenditures by fund. This realignment is based on how much of the indirect expenses go to benefit each of the programs. This year the realignment includes a savings for the General Fund – State in the amount of \$325,000 in Fiscal Year 2013.

Reductions in Specialty Compliance Services – (10%)

Factory Assembled Structure

This proposal would eliminate L&I’s responsibility for the Factory Assembled Structure (FAS) Program inspection and plan review activities along with the staff performing these activities. Following this reduction implementation, if performed at all, it is assumed that permit, inspection, and plan review functions would be performed by other state agencies, local government building inspectors, local government planning and building departments, or third party inspectors. This proposal will result in a \$1,206,000 savings and a reduction of 19.0 FTEs for the General Fund-State. The savings indicated are based on the difference between expenditures and the revenue generated by the program.

Description	FY 2012	FY 2013	2011 13
Total Revenue	632,000	1,263,000	1,895,000
Total Expenditures	993,000	2,108,000	3,101,000
Revenue less Expenditures	(361,000)	(845,000)	(1,206,000)

Impact Statement

Crime Victims Compensation Program

The program estimates the use of federal resources along with the impact of benefit reductions taken during the last two legislative sessions, and very minimal caseload growth will permit a GFS reduction of \$2,277,000 without impacting services.

Waves of General Fund expenditure reductions have been made to health and human services programs during the last three years. While the CVC caseload and related benefit payments grew rapidly during FY 2009 and the first three quarters of FY10, it appears that the benefit reductions made by the legislature during its 2010 and 2011 sessions have restrained both the growth in the CVC benefit payments and its caseload.

In previous years, the CVC program prepared an annual forecast update to meet caseload growth and align the federal appropriation with the federal grant. While the forecast update has not been necessary the last two years, it is not possible to foretell the possible impact to the CVC caseload emerging from future program eliminations under consideration in health and human services.

Specialty Compliance Services

Factory Assembled Structures

Currently, FAS program staff review plans for factory built structures to ensure compliance with safety standards, inspect structures in the factory during construction, and perform inspections of alterations to manufactured homes. The program is supported by fees from inspections and plan reviews.

While the current FAS fees have not been adequate to cover the costs of the program, the Legislature gave the program the authority to increase fees above the fiscal growth factor. Based on that authority, the program is in the process of developing a fee increase proposal.

Manufactured building plans are reviewed by qualified staff to ensure they meet the safety codes adopted by the State Building Code Council. Once a plan is approved by the department, the manufacturer can build as many structures around the state as needed. This proposal assumes that in and out of state manufacturers will be required to send plans to each local governmental jurisdiction or others for approval before the structure could be set in the jurisdiction. For example, a manufacturer would need to receive plan approval from Spokane County, the City of Seattle, and Benton County if they intend to manufacture and deliver structures to all three locations. There are currently 264 local jurisdictions in the State of Washington, each of which may have different fee schedules and requirements.

The program also performs in and out of state factory inspections for all structures built for the state. If inspections continue, this proposal will require local governmental jurisdictions or others to send a building inspector to the factories located in and out of state in order to inspect the structure prior to placement in the state.

The FAS program's plan review and inspection process cover both structural and electrical work. This would most likely be unavailable as local jurisdictions or others take on the plan review and inspection work. Local government building inspectors typically do not perform comprehensive inspections. For jobs that have both electrical and structural changes, a manufacturer or homeowner would have to arrange and pay for additional plan review and inspections: the local jurisdiction for structural inspections and the state or city electrical program for electrical inspections.

The program has a tri-state agreement with Oregon and Idaho, which recognizes each state's plan review and inspection process. Without the tri-state agreement, manufacturers will have to receive plan approval from Oregon and Idaho before building structures for the respective states.

Manufacturers will also have to pay for Oregon and Idaho inspectors to travel to Washington for factory inspections before the structure will be allowed to be placed in their state.

The FAS program also inspects:

- Vendor and medical units that are used throughout the state to ensure safety. If continued, this function would need to be moved to either Department of Health or the local Fire Marshall.
- Recreational vehicles and recreational park trailers that are licensed in the state to ensure safety. The legislature would be required to enact laws to allow this function to be taken over by third party inspectors.

The program also administers the Primary Inspection Agency (PIA) program, which allows L&I inspectors to inspect and approve a manufactured home built in the State of Washington to be shipped and placed anywhere in the United States. Under this proposal the PIA program would go back to the department of Housing Urban Development (HUD). HUD would set policy to allow third party inspectors to complete the inspection process for new manufactured homes built in the State of Washington.

Implementing this proposal would require amendments to chapter 43.22 RCW and RCW 46.44.170 to enable local building officials to perform plan review, factory inspections, and manufactured alteration inspection services. Local jurisdictions would be required to adopt the State Building Code standard for inspections and be responsible for reviewing and approving plans, permitting, insignias, and inspection process. The State Building Code Council would need to engage in significant rulemaking to accommodate the changes.

Expenditure Calculations and Assumptions

The calculations are based on the assumption that the reduction of staff, related to the elimination of the Factory Assembled Structure program, would begin in January 2012. The savings indicated are based on the difference between expenditures and the revenue currently generated by the program.

Expenditures:

	FY 2012	FY 2013	TOTAL Biennium	Biennium 2013-2015	Biennium 2015-2017	TOTAL
FTEs - Direct	(9.5)	(19.0)	(14.3)	(19.0)	(19.0)	(19.0)
FTEs - Indirect	0.0	0.0	0.0	0.0	0.0	0.0
Objects of Expenditure:						
A - Salary and Wages	(631,762)	(1,263,531)	(1,895,293)	(2,527,062)	(2,527,062)	(6,949,417)
Indirect FTE Salary	0	0	0	0	0	0
B - Employee Benefits	(216,909)	(433,817)	(650,726)	(867,634)	(867,634)	(2,385,994)
Indirect FTE Benefits	0	0	0	0	0	0
C - Contracts	0	0	0	0	0	0
E - Goods and Services	(74,260)	(581,116)	(655,376)	(837,232)	(837,232)	(2,329,840)
AG Costs	0	0	0	0	0	0
G - Travel	(70,069)	(154,536)	(224,605)	(309,072)	(309,072)	(842,749)
J - Capital Outlays	0	0	0	0	0	0
N - Grants	(952,000)	(1,325,000)	(2,277,000)	(2,277,000)	(2,277,000)	(6,831,000)
TOTAL Expenditures	(1,945,000)	(3,758,000)	(5,703,000)	(6,818,000)	(6,818,000)	(19,339,000)
Funds:						
001 - General Fund State	(1,945,000)	(3,758,000)	(5,703,000)	(6,818,000)	(6,818,000)	(19,339,000)
Other	0	0	0	0	0	0
TOTAL Funds	(1,945,000)	(3,758,000)	(5,703,000)	(6,818,000)	(6,818,000)	(19,339,000)

Revenue:

	FY 2012	FY 2013	TOTAL Biennium	Biennium 2013-2015	Biennium 2015-2017	TOTAL
Fund Name, Fund #						
02 72 Various	(622,320)	(1,243,640)	(1,865,960)	(2,487,280)	(2,487,280)	(6,840,520)
04 05 270000	(9,680)	(19,360)	(29,040)	(38,720)	(38,720)	(106,480)
Total	(632,000)	(1,263,000)	(1,895,000)	(2,526,000)	(2,526,000)	(6,947,000)

What costs and functions are one-time?

None

Which are ongoing?

All are ongoing.

What are the budget impacts in future biennia?

Since the federal Grant from the Office for Crime Victims in the Department of Justice is formula-based - 60 percent of the state dollars expended for benefits three years prior to the year

of the award—the continued reliance on federal funds will result in a reduced Federal share for benefit payments in fiscal years 2014 through 2016.

What is the relationship, if any, to the state capital budget?

None

Required changes to existing RCW, WAC, contract or plan?

Amendments to chapter 43.22 RCW and RCW 46.44.170 are required to enable local officials to perform manufactured alteration inspection.