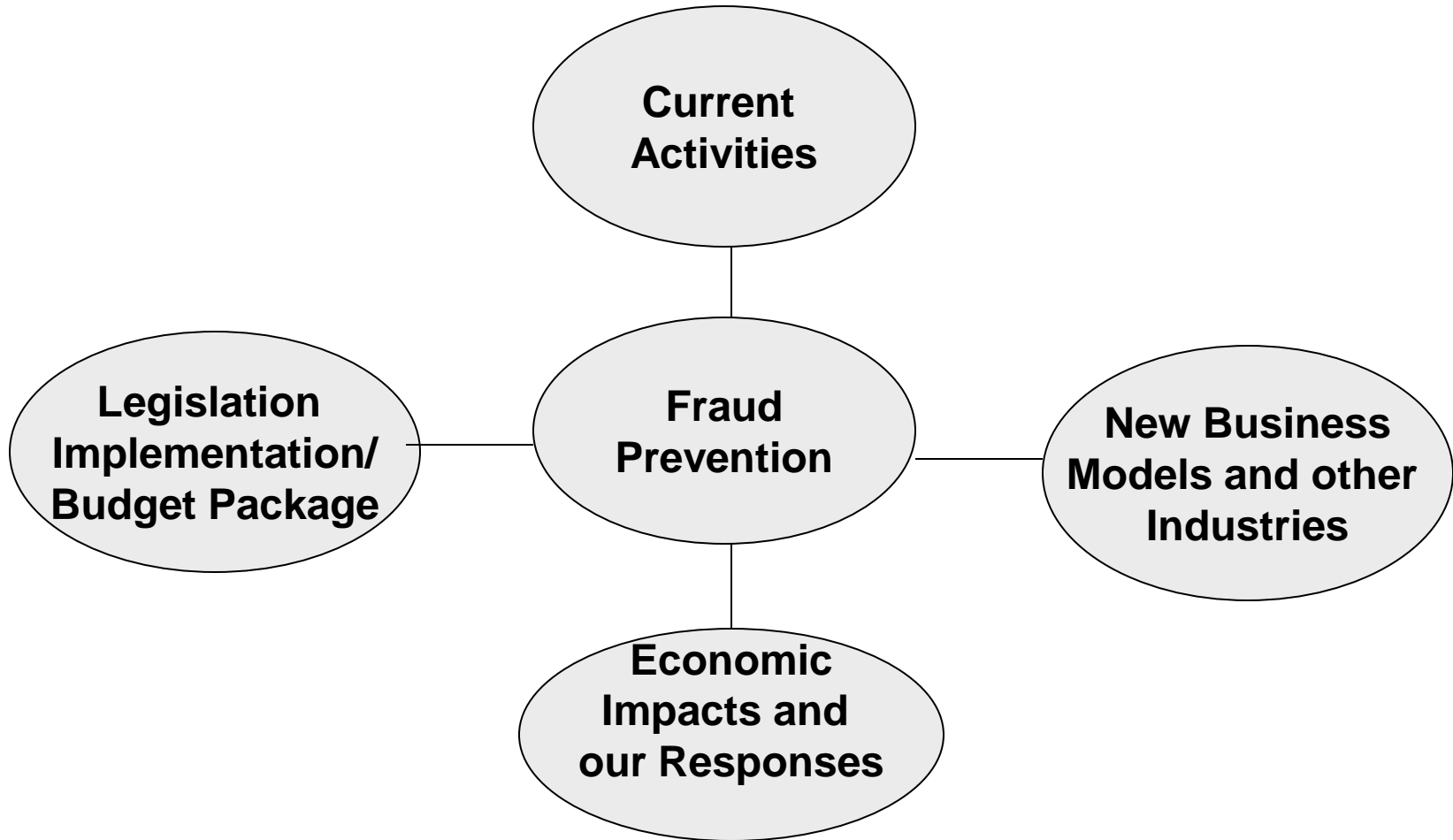


Joint Legislative Task Force on the Underground Economy

L&I Update – July 15, 2009







Current Activities

	FY 2006	FY 2007	FY 2008	FY 2009
# of investigations completed	4479	4900	4507	5152
Completed Audits	3818	4741	4203	5724
\$ Collected	\$135.4 million	\$139.2million	\$124.5 million	\$99 million *3 quarters

- FY 2008, collections declined due to the rate holiday. With lower premiums reported, there were fewer delinquent dollars to collect.
- FY 2009, collections are show a marked decline to the economy but the fourth quarter numbers show we are once again moving in the right direction.



Current Activities

Outcomes from 2008 Legislation

- Expanded the number of auditors (4 new auditors)
- Expanded our FAIR Team
 - Doubling our expectations
- Outreach and Mass Media Campaign



Current Activities

- FAIR TEAM RESULTS (Team expanded January 2009)

	FY 2007	FY 2008	FY 2009
Contractor Infractions issued	107	126	200
Audit Referrals	350	322	436
Audit Assessments	\$1,011,195	\$2,503,387	\$3,605,783
Collections from audits	\$267,472	\$510,996	\$554,274 *Quarters 1-3
Collections Referrals collected	\$761,192	\$1,108,095	\$731,709 *Quarters 1-3



Current Activities

Labor & Industries Statewide Radio Campaign

Launched to warn homeowners about using unregistered contractors and encourage the public and legitimate contractors to report unregistered contractors.

The campaign consisted of:

- A four-week radio campaign - 6,965 (30-second ads)
- Web Banners on television websites including KING 5 and KHQ and radio station websites
- Print advertising for two weeks
- Two electronic billboards on I-5 for one month

\$150,000 was spent on the May-June campaign with 90% of the budget devoted to radio and 10% to Web banners, outdoor advertising and print.



Legislation Implementation/ Budget Package

Stop Work Orders (SSB 5613)

- Internal work flow processes developed
- Investigation procedures identified and documented
- Necessary orders and notices are being drafted and approved
- Internal systems due to be programmed
- Stakeholdering planned
- Internal/External education in planning stages

Public Works Release/Retainage (SHB 1555)

- Process Work Flow being developed
- Necessary orders are being drafted and approved
- Internal systems due to be programmed
- Stakeholdering planned (PWAC, other forums)
- Electronic notice going out next week to public bodies and contractors that do public works
- Outreach letters, quarterly report inserts in development
- Internal/External education in planning stages
- Initial step in rule filing (CR101) will be completed in August
- Goal to implement on October 1, 2009



Legislation Implementation/ Budget Package

Prevailing Wage Definition of Exempt Independent Contractor (SSB 5904)

- Matches workers' compensation definition
- Workers compensation audit results where prevailing wage jobs were performed will be used as basis for review
- Scheduled for implementation on July 26, 2009

Detecting Unregistered Employers (DUE) Budget Package

- Budget package to develop a comprehensive employer misreporting/fraud detection computer system
- Supported by Task Force in recommendations/report
- Team leader and business analysts on board
- Request for Proposal set to go out in mid-August, with goal to have vendor in place and developing by the end of October
- Internal IS team will lead efforts to fully integrate IRS data with our system



New Business Models and Other Industries

Future Industry Focus

- New model, focused on broad and voluntary compliance
- Education first – outreach directly to firms and through industry groups
- Opportunity offered to firms to amend reporting for 4 quarters and receive waiver of late penalties
- Follow with audits for firms that still appear out of compliance
- Partner with other agencies for targeting purposes (ex: DOL on Real Estate)
- Document contact and education opportunity, in case of future non-compliance on reporting

Industries that have/will receive focus efforts:

- Towing
- Real Estate
- Land Surveying
- Restaurants
- Interior/Exterior Painting
- Tree Trimming
- Janitorial



New Business Models and Other Industries

New Employer Reviews

- New effort aimed at instructing newer firms directly on reporting and recordkeeping rules
- Employers will have an open L&I account, and be reporting for two quarters
- Focused on construction, wholesale/retail delivery, trucking, logging and janitorial industries
- Educational only – no debits will be issued
- Record of visit and instructions will be kept, in case of future non-compliance by firms

Pilot conducted in SW and Central Washington, with 106 reviews conducted

- Survey results showed a firms better understood our rules:
 - 98% better understood our record keeping requirements
 - 91% had a better understanding of independent contractor regulations
 - 81% found our written instructions helpful and
 - 81% better understood their risk classifications

Statewide rollout began in July 2009



Economic Impacts and our Responses

General Fund Reductions

- In FY09, L&I had 3 programs in general fund – Contractor Registration, Factory Assembled Structures and Elevator
- Cuts to administrative expenses, administration and indirect expenses were targeted first
- All three programs received staffing cuts
- Reduction of 6 staff in Contractor Registration Compliance Program
- No fee increases are expected at this time

Lower employment – lower premiums

- Total non-farm payroll in Washington State dropped from nearly 3 million in June 2008 to approximately 2.85 million between January and April of 2009.
- Average work-week declining as well
- Bankruptcies are up 40 percent in 2008, and Washington climbed from 27th nationally to 12th
- Total delinquent premiums, penalties and interest collected fell to \$87 million for the first 3 quarters of FY 2009, or an estimated \$116 million for the fiscal year. This is on par with FY 2008, which had a rate holiday, but down 13% from FY 2007



Economic Impacts and our Responses

Our Responses

- Any employer that has not previously been in collections in the last 4 years will receive an automatic extra 90 days to pay with full waiver of late penalties and interest
- Firms that can document a 30% or more drop in revenue (not profits) either quarter over quarter or year over year can qualify for waiver of late penalties and interest, even with prior collections history
- Maximum length of standard payment agreements has been extended from 12 to 18 months. Supervisors can approve longer agreements with full financial disclosure



Cross Agency Collaboration

Examples of Current Cross-Agency Efforts

- Cross-match of employer audit efforts, emphasis and results (DOR presenting detail)
- L&I/ESD collaborating on audit industry focus planning – sharing practices
- L&I working with DOL on selected industries (ex: Real Estate – information for audit targeting and estimating, now collaborating on development of education curriculum)
- DOR is leading an effort with ESD and L&I participating in the Collections arena. There are three primary goals at this point – common definitions, data analysis, and review of best practices
- Joint auditing on some of our most significant employer non-compliance cases. Sharing resources and joint filing of criminal charges on some of those cases
- Also collaborating with IRS and Oregon Workers' Comp, SAIF on joint audits with registration and potential employment in Oregon and Washington