

September 25, 2012

Office of Management & Budget
Adam M. Horst, Director
Statehouse, Rm. 212
Indianapolis, Indiana 46204

Re: Indiana Department of Labor Agency Transmittal Letter, FY2014-15 Biennium

Dear Director Horst,

The upcoming fiscal years will allow Indiana to demonstrate the continued ability of state and local agencies to adapt and conform their programs to the ability of the taxpayers to pay for the services. While a challenging task, the Indiana Department of Labor has developed its budget proposal and requests leave to submit its request for funding for fiscal years 2014 and 2015 from the Indiana General Assembly. In acknowledgement that the tax dollars that are used to fund the operations of the Agency are the product of the ingenuity, hard work and critical resources of Indiana businesses and citizens, the Agency tenders this overview of the Agency activities, measures, outcomes and requests for the coming biennium. It is hoped that this overview serves to inform and educate not only the Budget Agency in prioritizing Agency requests, but also our elected officials and populace in understanding how and why captive tax dollars should be allocated as requested.

The Agency strives to advance the safety, health and prosperity of Hoosiers in the workplace. That is the Agency mission, and all goals relate back to this mission. This mission is generated from the Governor's objectives of Serving Indiana Hoosiers, Cleaner Leaner Government, and In Sourcing Indiana Jobs. Nearly 77% of the Agency budget and 84% of all Agency staff are allocated to the regulation, education and measurement of occupational health and safety as a means to improve the lives of working Hoosiers. As productivity at worksites and businesses increases through fewer injuries, illnesses and fatalities, our Indiana workforce is enriched and businesses become more profitable.

The balance of Agency resources are dedicated to seeing that Hoosiers receive the wages to which they are legally entitled, and assisting employers in meeting that objective. Prosperity for both the worker and employer is the goal, and a clear understanding of rights and responsibilities through inspection, training and auditing is the sought after outcome.

The Agency consists of approximately 87 employees who work in 6 different divisions. An Organizational Chart follows, as well as Fund Center Narratives for more detail on each division. A brief description, however, of each division is set forth here.

IOSHA

The Indiana Occupational Safety and Health Administration (IOSHA) operates under a state plan initially approved by federal OSHA in 1974, with final approval and relinquishment of concurrent federal jurisdiction in 1986. The state operates the program, which is funded with

half of the dollars coming from the state's general fund and half of the dollars coming from a matching federal grant. Strict compliance with federal mandates is required in order for the state to both receive federal funding, and administer the program in lieu of the federal government.

Twenty-five (25) states and two (2) territories operate similar state plans, with the remaining states deferring to the federal government to operate the program.

IOSHA enforces compliance with federal OSHA standards, adopted by Indiana, by programmed inspections, inspections scheduled due to complaints or other reports received, and as a result of fatalities or multiple, serious injuries. It is the primary enforcement agency for workplace safety and health. It also works to protect whistleblowers under the Occupational Safety and Health (OSH) Act.

Wage and Hour

This division has varied responsibilities, including answering approximately 20,000 inquiries per year about legal requirements for employee breaks, meals, overtime, vacation pay and right to withhold employee pay. It also assists municipal entities in setting up state-wide committees establishing wage scales on public projects, auditing select projects for compliance with those wage scales, and reviewing and mediating employee complaints alleging non-payment of wages. It is funded exclusively by general fund appropriations. The Child Labor Bureau is also housed in this division, and it regulates the employment of 14, 15, 16 and 17 year olds and administers an electronic permit system accessed by every school system in the state. Child Labor is currently funded mostly by the fines assessed against the employer, but a small portion of expenses is funded by state general fund dollars.

INSAFE

INSafe is also a product of federal OSHA, but it is the education, training, outreach and consultation arm, with a mission to assist employers and employees in meeting their obligations under the federal and state OSH Acts. INSafe takes part in no enforcement activity, but instead seeks out opportunities to provide direct training and education to Indiana's employers and employees. Its statutory duties include the development, planning and organizing of training programs for employers, safety personnel and employees, identification of desired research projects and conducting onsite consultations for employers.

INSafe is funded by a federal grant, which funds a maximum of 90% of the expenditures, and by an assessment imposed upon each insurance carrier licensed to do worker's compensation business in Indiana, as well as self-insured employers, in the amount of 0.75% of the total worker's compensation benefits paid by them. When the assessment is triggered per Indiana statute, assessment funds are deposited into a special non-reverting fund administered by the general assembly through regular appropriations. The last such assessment was conducted in 2009, generating \$1,200,000 for this dedicated fund for future appropriation. It is anticipated that another assessment will be required to be conducted in 2013.

Bureau of Mines

This division is located exclusively in Vincennes, Indiana, near the underground coal mines. It is funded exclusively with state dollars. This Bureau is charged with equipping and training mine rescue teams in the event of an underground mine emergency, licensing and certifying all underground coal miners with initial and advanced certifications, and conducting limited inspections of the underground mines for safety. The federal office of the Mine Safety and Health Agency has the regulatory responsibilities of enforcement of federal mine safety standards.

The number of active underground coal mines fluctuates, but is currently at eight mines. More mines are scheduled to come on line during the next biennium, but the coal industry is presently experiencing economic difficulties, with two of the eight expected to shut down in the near future. Layoffs are not infrequent. Nevertheless, a minimum of two staff are reasonably needed to properly staff the Bureau. Expanded certification testing for electrical certifications was adopted by the last general assembly session, and the Bureau, in conjunction with the Indiana Mining Board, continues to work towards implementing those changes.

Quality, Metrics, and Statistics

This division (“QMS”) is involved in all aspects of ensuring the accuracy of data collected by the Agency, the integrity of all processes and measures and the publication of such information internally and externally to all stakeholders of the Agency. It also serves as the state point of contact for surveys conducted by and for the federal Bureau of Labor Statistics and federal OSHA, including the Survey of Occupational Injuries and Illnesses, Census of Fatal Occupational Injuries and the OSHA Data Initiative.

It is funded by federal grants, aggregating \$179,000, representing about 66% of its operating budget, with the remainder from general fund appropriations.

Operations

Operations provides the infrastructure and support to the varied programs, including finance, accounting, human resources (through SPD personnel), IT (through IOT services), procurement and training and development programs. All divisions rely on a central operations group to provide seamless support to the substantive programs they administer.

Operations is funded 100% by state fund dollars, but the IOSHA federal grant supplements a portion of these costs as indirect costs. The fund center for Wage and Hour and Operations (Administration) is one combined fund center.

Performance Based Budgeting

Each of these six (6) divisions operate in tandem with each other, striving for integrated and clear goals and measures for the Agency, division, and employees. Following is a

description of the Agency's goals, and a summary of the Key Performance Measures that demonstrate success, as well as anecdotal indicators of successful performance.

Agency Goals

The Agency developed four (4) broad strategic goals to guide its efforts. They include:

1. Customer Driven Service
2. A Prepared Agency Workforce
3. Responsibility, Integrity and Transparency in all decision-making
4. Reduce Occupational Injuries and Fatalities

These goals are internalized in each division, and manifested by division specific goals. Each fund center is treated separately for more detailed analysis of measures, outcomes, goals and budget requests.

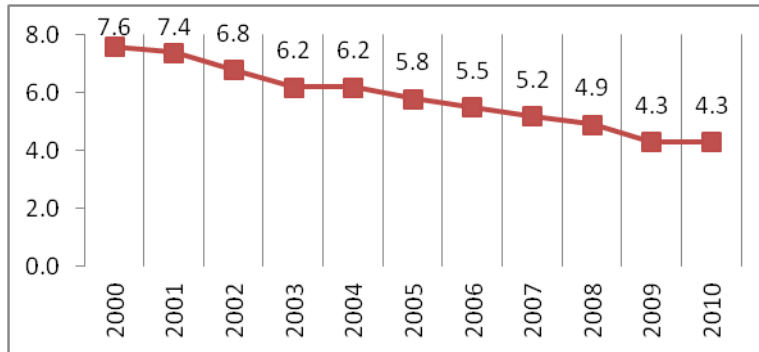
Key Performance Indicators

With the help of Indiana Office of Management and Budget personnel, the Agency revised its Key Performance Indicators ("KPIs") in 2008 and just recently in 2012 (which will not be reflected until Q3 measures are published). 2012 improvements to KPI#2 methodology make it more representative of the entire process. In order to more clearly focus on outcomes, and not just outputs, the KPIs are as follows:

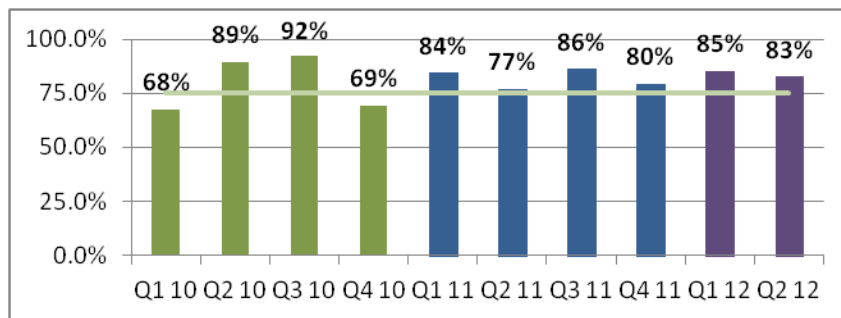
1. Non-fatal occupational injury and illness rate (per 100 employees) state-wide
2. Percent of meritorious public works and wage audits resulting in wage recovery
3. Number of new IOSHA inspections

While the third KPI is a measure of an activity, rather than an outcome, it is perceived to be critical in reaching the desired outcome of fewer injuries and fatalities. It is also an area in which improvement was targeted and was initially realized since establishing the measure.

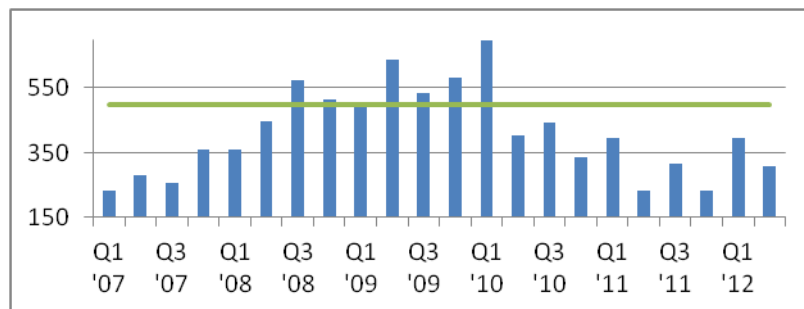
1. *Indiana Non-Fatal Injury & Illness Incident Rates (2012 Target is 4.2, Reported as 2011). Incident Rate = Number of Non-fatal Injuries & Illness per 100 Employees*



2. *Wage & Hour: Percentage of Meritorious Audits Where Money is Recovered (Present Target is 75%)*



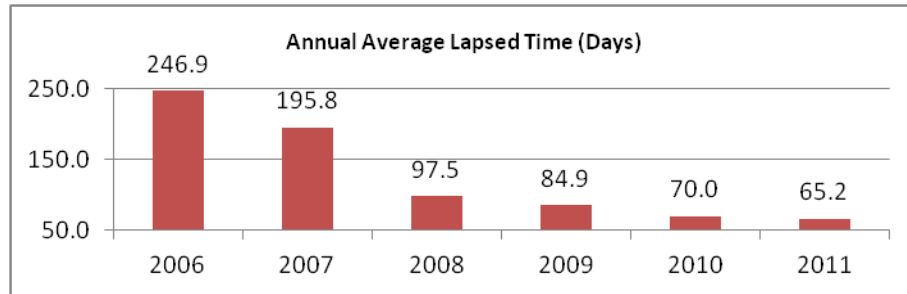
3. *IOSHA: Number of Inspections (Target is 500 per Quarter)*



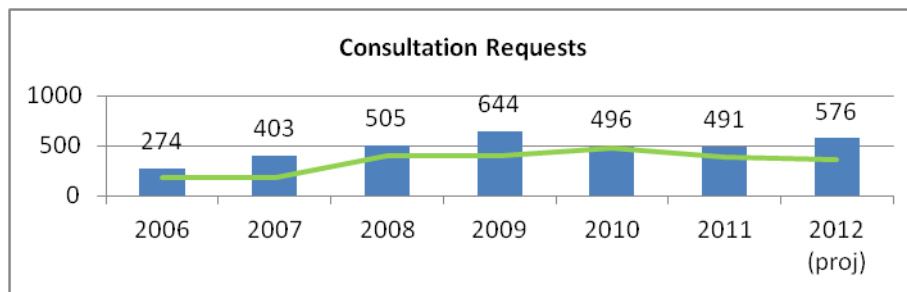
Additional Program Measures vary from measuring lapse time for every activity, collection rates and timeliness of payments of fines, production (output measures for how many inspections, consultations, surveys, or wage claims were completed), to effective targeting by measuring the rate of non-compliance.

Agency Successes

The Agency has experienced a number of successes in the last biennium, some of which are highlighted here. INSafe received the Governor's Public Service Award in 2012, for reducing consultation lapse times, while more than doubling onsite consultation requests.



Without increasing staff, and due to new accountability measures and clarity of expectations, the number of consultations increased by 135% from 2006 to 2009. Despite reduced staff for much of 2011, consultations stayed fairly consistent with earlier numbers, even while reducing lapse times.



INSAFE also received national OSHA awards in 2008 and again in 2010 for its innovative efforts in marketing its consultation program and providing training products for teen workers.

IDOL received the federal *William Q. Wiehrdt* award for outstanding customer service recognized by OSHA Region V in both 2008 and 2011. The 2011 award recognized the responsiveness to all of its stakeholders of IDOL in its investigation and release related to the University of Notre Dame workplace fatality.

The online and web services offered by IDOL have improved dramatically. Many safety orders can be viewed online. Digital newsletters with 6,000 subscribers are sent. Many customer or stakeholder forms are completed or can be submitted online. We continue to put Agency metrics on our website, including customer service surveys that we collect from stakeholders on a routine basis.

Injury and illness rates continue to improve year over year, with manufacturing, Indiana's largest business sector, seeing improvements in each of the last 4 years, except for 2010, the most recent reported year. Construction illness and injury rates have improved year over year,

going from 5.7 in 2007 to 3.8 in 2010, an improvement of 33%. In addition, Indiana's state-wide injury rate continues to improve, with the last reported year (2010) at 4.3 per 100 workers. Despite staying static from 2009 to 2010, it is lower by 42% from 10 years ago.

The number of fatalities state-wide, while experiencing an increase in 2004 and 2005, are trending back down, and 2010 and 2011 represent the best years Indiana has ever had since the Census of Fatal Occupational Injuries was instituted in 1991.

IDOL has undertaken initiatives to address high health care and nursing home injuries, distracted driving crashes and injuries, and work place violence in late night retail. It has concentrated efforts in agriculture and scissor lifts, choosing its focus areas for maximum impact.

There are now 58 Voluntary Protection Program (VPP) sites and 48 Indiana Safety and Health Achievement Recognition Program (INSHARP) sites in Indiana, a record high for Indiana. This translates to 106 employer sites in Indiana where there exist exemplary safety and health programs covering more than 26,000 employees. Indiana ranks in the top 15 in the country for VPP sites.

The Quality, Metrics and Statistics division was recognized as one of the top programs in the country for return rates and accuracy in its administration of the OSHA Data Initiative (ODI) survey in both 2010 and 2012. In 2009, it was recognized for its administration of the Survey of Occupational Injuries and Illnesses (SOII) survey. These surveys capture injury and illness information for Indiana businesses that is then extrapolated into a state-wide rate, and the information is used to benchmark effectiveness and to tailor programs at the national and state levels.

The Agency recovered nearly \$200,000 in 2011 for Indiana workers representing monies owed to employees but previously unpaid by the employer without Agency intervention. The Agency serves as a mediation service for employees who believe that they have not been paid their lawful wages. Wait times for determining claims for unpaid wages have gone down from about nine months to less than two months in 2012.

The Child Labor Bureau has had outstanding success after creating the new position of Education and Training Program Coordinator, to create state-wide training opportunities. More than 40 employers and nearly 200 management personnel have been trained through on site visits, teleconference and other electronic trainings just in 2012 to date. Most of the work product of the inspectors has also gone digital. In addition, the Agency has migrated to a completely electronic work permit system, allowing greater efficiency and accuracy for both the school systems that use it, as well as the Child Labor Bureau. Better targeted inspections, both geographically and by specific industry, by child labor inspectors has been made possible by the electronic data collected.

The Bureau of Mines has been carefully stewarding the new purchase of breathing apparatuses for its mine rescue team members. Leveraging both assessments imposed on underground mining companies deposited in the mine safety fund and general fund

appropriations, the Agency has state of the art equipment for its mine rescue team. The Bureau works closely with mine management to collaborate on appropriate expenditures.

The State Board of Accounts and federal OSHA have collectively conducted three financial audits of the Agency's finances, including federal grant monies. The last SBOA audit found the Agency 100% in compliance with no comments or adjustments for the period of June 1, 2008 through January 31, 2012. The federal audit was positive with very few comments or adjustments, none of significant amount or type.

The Agency's finance group has also completed all grant draw down work before due dates and submitted grant applications timely. IDOL had one of the lowest amounts for incurring late charges or interest payments for FY2011 (\$6.22), and incurred zero for 2012.

Agency Challenges

Like all state agencies, the need to do more with less is always present. Many Agency functions are staffed with only one or two individuals, making functions highly dependent on the skills of limited staff.

In IOSHA, meeting agreed federal benchmarks for staffing is mandatory, and pressure to meet those benchmarks waxes and wanes with the federal OSHA administration. Funding is provided for 39 compliance officers, but established benchmarks would require 70. The number of safety and health compliance officers has been declining for the past 10 years. The Agency reviewed whether it was appropriate to request reduction in staffing benchmarks, but the data and climate do not support such a request at the federal level at this time. Presently, there are no threats to the state plan with the current head count, but the deficiency is annually noted in the required annual reports. Additionally, potential federal sequestration promises to cut federal OSHA funding by 10%, making the federal match difficult to plan. A reduction in the federal grant would impact the state program.

As health insurance costs, performance based salaries, and fuel continue to increase, IDOL must continue to use efficiency in delivering services to its Hoosier stakeholders.

Conclusion

In conclusion, the Indiana Department of Labor has worked hard to present its budget request in an understandable and responsible manner. Fund Center specific data follows, and the Agency welcomes any inquiry concerning its funding requests.

Very truly yours,

Lori Torres
Commissioner

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