

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 07-1010
Prime Sponsor(s): Sen. Groff
 Rep. Rice

Date: April 25, 2007
Bill Status: Senate SVMA
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TITLE: CONCERNING WORKERS' COMPENSATION.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue	\$0	\$0
State Expenditures		
General Fund	\$100,409	\$95,902
FTE Position Change	1.5 FTE	1.5 FTE
Effective Date: Upon signature of the Governor.		
Appropriation Summary for FY 2007-2008: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

The bill makes several changes to state workers' compensation law. It clarifies that all professional medical services are subject to the workers' compensation fee schedule and requires that, in addition to insurers, a list of accredited physicians be provided to claimants and employers. It also requires that awards for scheduled injuries be calculated in the same way as lump sum settlements and increases that allowable lump sum award from \$37,500 to \$75,000. A treating physician is required to inform an injured worker that he or she may select a new treating physician and an injured worker is allowed to bring another person to a medical appointment.

Administratively, the bill expands exceptions to the requirement that administrative hearings be set within 180 days, establishes a timeframe for the Division of Workers' Compensation (DWC) director or administrative law judge to issue a summary order in lieu of a full order. If a request is made to reopen a claim or issue that has been resolved, requires the person making the request to prove that the claim or issue should be reopened.

Finally, the bill eliminates requirements that:

- an independent medical examiner (IME) cannot be selected until 14 days after the notice requesting the IME has been mailed;
- a judge prepare a full order at the conclusion of all hearings;
- a separately captioned order is required to deny or grant a motion; and
- the director must order any or part of a lump sum award to be made in certain instances.

State Expenditures

The bill will increase state expenditures by \$100,409 in FY 2007-08 and by \$95,902 in FY 2008-09.

Department of Personnel and Administration, Office of Administrative Courts (OAC). Administrative law judges (ALJs) within the Department of Personnel and Administration, OAC, hear workers' compensation disputes. While the bill eliminates the requirement that an ALJ issue a full order in some cases, it establishes several new types of orders that must be issued within strict deadlines. Therefore, additional time will be needed by ALJs to prepare and write orders thereby reducing time available to hear claim disputes. Consequently, the OAC will require one additional ALJ to comply with the bill requirements. Additionally, 0.5 support staff are required for each ALJ. Table 1 summarizes OAC costs.

Table 1. OAC Cost Under SB 07-256		
Cost Components	FY 2007-08	FY 2008-09
Personal Services	\$90,121	\$90,121
FTE	1.5	1.5
Operating Expenses and Capital Outlay	6,760	2,253
Postage and Miscellaneous	3,501	3,501
Total	\$100,409	\$95,902

All State Agencies. The state self-insures its workers' compensation liability. The Department of Personnel and Management, Risk Management Office (RMO) manages the self-insurance funds used to pay workers' compensation claims on behalf of all state departments. Departments and most state institutions of higher education transfer funds to the RMO to pay claims. By increasing lump sum amounts, the bill will increase one-time costs for claims resulting in a settlement agreement between the state and an injured worker. However, the increase in one-time payments will reduce reserve requirements in future years, because these claims likely would have been paid out over a period of years. As such, any increase in costs will be negligible and will not result in increased workers' compensation assessments for state departments.

Department of Labor Employment. The Department of Labor and Employment, DWC, administers the state workers' compensation laws. The bill will require the DWC to promulgate new rules in response to the substantive and administrative changes specified in the bill. However, rule promulgation is part of the normal and ongoing activities of the division and no significant increase in workload is anticipated.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates.

- group health, life and dental insurance
- inflation indices
- amortization equalization disbursements
- supplemental amortization equalization disbursements
- short-term disability
- leased space
- indirect costs

Local Government Impact

Local governments will be impacted for the same reasons that the state will experience short-term cost increases and long-term cost decreases for workers' compensation claims.

State Appropriations

The fiscal note indicates that the Department of Personnel and Administration, OAC will require a General Fund appropriation of \$100,409 and 1.5 FTE for FY 2007-08.

Departments Contacted

Personnel and Administration	Labor and Employment	Law
Regulatory Agencies		