

**STATE and LOCAL
FINAL FISCAL IMPACT**

Drafting Number: LLS 07-1010

Date: June 1, 2007

Prime Sponsor(s): Sen. Groff
Rep. Rice

Bill Status: Signed into Law

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TITLE: CONCERNING WORKERS' COMPENSATION, AND MAKING AN APPROPRIATION THEREFOR.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue	\$0	\$0
State Expenditures		
Cash Funds - Workers' Compensation Cash Fund	\$3,502	\$3,502
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The bill was signed by the Governor and became law on May 30, 2007.		
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 the allowable lump sum award from \$37,500 to \$60,000.

Administratively, the bill clarifies the timeframes for workers' compensation hearings to begin, establishes deadlines 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; and
- the director may order any or part of a lump sum award to be made in certain instances.

State Expenditures

The bill will increase state expenditures by \$3,502 in both FY 2007-08 and 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. Under current law, an ALJ is required to issue an order upon conclusion of a workers' compensation hearing. The bill allows an ALJ to issue an initial summary order but allows a party dissatisfied with its conclusions to request that the ALJ issue a full order. By doing so, two written orders may now be issued instead of only one. Since the OAC is required to provide copies of these orders to case parties, additional postage and paper costs will be incurred. The total annual increase in costs is estimated at \$3,502.

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.

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 Labor and Employment requires a \$3,502 appropriation from the Workers' Compensation Cash Fund for FY 2007-08. The entire amount (\$3,502) will be a cash funds exempt transfer to the Department of Personnel and Administration, OAC.

Departments Contacted

Personnel and Administration
Regulatory Agencies

Labor and Employment

Law