

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3474/2	Introduction Number SB-474
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Description
 Making various changes in the worker's compensation law, requiring the exercise of rule-making authority, and making appropriations

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Decrease Costs
<input checked="" type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input checked="" type="checkbox"/> Indeterminate	4. <input type="checkbox"/> Decrease Revenue	
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445(1)(a) 20.445(1)(t)	

Agency/Prepared By DWD/ John Conway (608) 266-0337	Authorized Signature JoAnna Richard (608) 267-3200	Date 12/21/2005
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Fiscal Estimate Narratives

DWD 12/21/2005

LRB Number	05-3474/2	Introduction Number	SB-474	Estimate Type	Original
Description Making various changes in the worker's compensation law, requiring the exercise of rule-making authority, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes various changes to the workers' compensation law as administered by the Department of Workforce Development (DWD). The bill's state fiscal effect involves expenditure and revenue increases/decreases to Appropriation 178, Work Injury Supplemental Benefit Fund, 20.445(1)(t) and revenue increases to Appropriation 129, Workers' Compensation Operations, 20.445(1)(ha). The state fiscal effect of this bill is as follows:

Appropriation 178, Work Injury Supplemental Benefit Fund, 20.445(1)(t)
(The acronym used for the Work Injury Supplemental Benefit Fund is WISBF.)

Expenditures

a. Supplemental Benefits

Under current law, an injured employee who is receiving the maximum weekly benefit in effect at the time of the injury for permanent total disability or continuous temporary total disability resulting from an injury that occurred before May 13, 1980, is entitled to receive supplemental benefits in an amount that, when added to the employee's regular benefits, equals \$233. This bill makes an employee who is injured prior to January 1, 1985, eligible for those supplemental benefits beginning on January 1, 2006, and an employee who is injured prior to January 1, 1987, eligible for those supplemental benefits beginning on January 1, 2007. It is estimated this amendment will increase the number of claimants eligible to receive these benefits by approximately 160 claimants.

In addition, The bill also increases the maximum supplemental benefit amount for a week of disability occurring after January 1, 2006, to an amount that, when added to the employee's regular benefits, equals \$321 and increases the maximum supplemental benefit for a week of disability occurring after January 1, 2007, to an amount, that when added to the employee's regular benefits, equals \$338. It is estimated that 190 claimants will be eligible to receive the increased benefits.

WISBF fund costs for the increased benefit amounts resulting from the above increases in claimants, are anticipated to be approximately \$1.25 million for '06, and \$1.6 million annually beginning in '07.

b. Traumatic Barred Claims

Beginning January 1, 2006 there will no longer be a statute of limitations for injuries resulting in the loss or total impairment of a hand or any part of the rest of the arm proximal to the hand, or of a foot, or any part of the rest of the leg proximal to the foot, any loss of vision, any permanent brain injury or any injury causing the need for a total or partial knee or hip replacement (traumatic barred claims). In addition, traumatic barred claims will no longer be paid out of the WISBF. Effective 1/1/06 insurers and self-insured employers become liable for these payments. As a result, the department estimates the WISBF will save approximately \$50,000 annually by not being liable for traumatic barred claim payments (expenditure decrease).

Revenues

a. Amount Increased for Injuries Resulting in Death or Dismemberment

The bill increases the amount (from \$10,000 to \$20,000) that insurers and self-insured employers are obligated to pay into the WISBF for injuries resulting in death or dismemberment. It is estimated that the bill will increase revenues by approximately \$1.25 million annually.

b. Forfeitures, Surcharges

Current WC law requires employers to keep records of all accidents causing death or disability of an employee and requires insurers and self-insured employers to keep records of all payments made, and requires reports based on those records to be furnished to DWD in a timely and prescribed manner. An employer or insurer that fails to keep those records or furnish those reports is subject to a forfeiture of not less than \$10 nor more than \$100 for each offense which under current law must be deposited into the

school fund. This bill would require an employer or insurer who fails to keep/provide those records to pay a surcharge instead of a forfeiture, and directs those surcharges to be deposited into the WISBF. The bill also stipulates that interest shall accrue on the amount of the surcharge if it is not paid within 90 days at a rate of 1%/month. Forfeiture amounts collected during SFY04 and SFY05 were \$189,600 and \$242,500 respectively. Per this amendment, the department anticipates an increase in revenue to the WISBF of approximately \$230,000 (revenue plus interest) annually and an annual decrease in revenue to the school fund of approximately \$225,000 (revenue only).

c. Illegal Employment of Minors

Under current law when an injury is sustained by a minor who is illegally employed, the employer must pay compensation or wage loss to the minor and death benefits to the survivors of the minor. In addition, the employer is liable for what is termed increased compensation, i.e., double or treble the amount recoverable, but can be no more than \$7,500 to \$15,000 respectively depending upon the infraction. The increased compensation is currently paid to the minor. Also currently, if the employer is misled into employing a minor illegally, the employer is required to pay the increased compensation to the WISBF rather than to the minor.

The bill eliminates the requirement that the employer pay the increased compensation to the minor. Instead the bill requires the employer to pay the increased compensation to the WISBF. The increased compensation payable to the WISBF is single or double the amount recoverable by the minor, but cannot exceed the current maximum levels (\$7,500 or \$15,000 depending on the infraction). The bill also eliminates the requirement that an employer pay increased compensation to the WISBF when the employer is misled into employing a minor illegally.

It is estimated that the increase in revenue in the WISBF as a result of this amendment (the re-direction of employer payment of the increased compensation from the minor to the WISBF) will be approximately \$30,000 annually.

d. Interest on Late WC Assessment Payments

Under current law, each insurer and self-insured employer is required to pay to DWD an annual assessed amount that is used to cover the expenses of the department in administering the state worker's compensation laws (annual assessment). Current law requires those annual assessments to be paid on such dates as DWD prescribes. This bill provides that interest shall accrue on annual assessments that are not paid within 90 days after the date prescribed by DWD for payment at the rate of 1 percent per month and that all the interest payments received shall be deposited in the WISBF fund. It is anticipated that the revenue collected for deposit in the WISBF as a result of the interest collected on late assessment payments will be approximately \$12,600 annually.

Appropriation 129, Workers' Compensation Operations, 20.445(1)(ha)

Revenues

a. Under current law, annual assessments paid by insurers and self-insured employers are deposited in the general fund and credited to certain program revenue appropriations of DWD. This bill provides that those annual assessments paid shall constitute a separate non-lapsable fund designated as the worker's compensation operations fund and that moneys in that fund may be expended only for worker's compensation purposes and may not be used for any other purpose of the state. In addition, 20.445(1)(ha) of the statutes is renumbered 20.445(1)(ra) and in part amended to read Worker's compensation operations fund; administration. The bill similarly provides that moneys in the self insured employers liability fund [20.445(1)(s)], the WISB fund [20.445(1)(t)], and the uninsured employers fund [20.445(1)(sm)] may be expended only for the purposes of those funds and not for any other purpose of the state. In addition, 20.445(1)(hb) Worker's compensation contracts, is renumbered and amended to read 20.445(1)(rb) Worker's compensation operations fund; contracts, and, 20.445(1)(hp) Uninsured employers program; administration is renumbered and amended to read 20.445(1)(rp) Worker's compensation operations fund; uninsured employers program; administration.

b. Section 5 of the bill also creates s.25.17(1)(zd) which reads: 25.17(1)(zd) Worker's compensation operations fund (s.102.75). This amendment will provide the State of Wisconsin Investment Board the authority to invest and collect monthly interest moneys on the cash balance in Appr 129, 20.445(1)(ra).

Fiscal Effects on Local Units of Government

There would be some increased worker's compensation costs for local units of government that are self-insured, due to part a. supplemental benefits under "Expenditures," above. Otherwise, there is nothing in

this bill that is specifically directed toward local governments.

Long-Range Fiscal Implications

With regard to part a. supplemental benefits under "Expenditures," above, the statutory Worker's Compensation Advisory Council may authorize increases to supplemental benefits in future years. In addition the Council will review on an ongoing basis, the revenue needs of the WISBF and take necessary action to insure the solvency of the fund.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 05-3474/2		Introduction Number SB-474	
Description Making various changes in the worker's compensation law, requiring the exercise of rule-making authority, and making appropriations			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	1,600,000		-50,000
TOTAL State Costs by Category	\$1,600,000		\$-50,000
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S (SEG)	1,600,000		-50,000
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			-225,000
FED			
PRO/PRS			
SEG/SEG-S (SEG)	1,522,600		
TOTAL State Revenues	\$1,522,600		\$-225,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$1,550,000	\$
NET CHANGE IN REVENUE		\$1,297,600	\$
Agency/Prepared By		Authorized Signature	Date
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