

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>15-3724/1</b>	Introduction Number <b>SB-536</b>
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**Description**  
 Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input 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 type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input checked="" type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase 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 type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.505(4)(kp)	

<b>Agency/Prepared By</b> DOA/ Kris Frederick (608) 261-2292	<b>Authorized Signature</b> Colleen Holtan (608) 266-1359	<b>Date</b> 2/4/2016
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## Fiscal Estimate Narratives

DOA 2/4/2016

LRB Number	15-3724/1	Introduction Number	SB-536	Estimate Type	Original
<b>Description</b> Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Senate Bill (SB) 536 would implement various revisions to worker's compensation law, which would impact the responsibilities and operations of the Division of Hearings and Appeals (DHA) in the Department of Administration (DOA). It is projected that many of the changes will not have a significant effect on the number of applications filed and hearings scheduled at DHA and, consequently, will have no fiscal impact. However, the following changes are projected to increase the number of applications filed and the number of scheduled hearings, and therefore will increase costs for DHA.

- Violations of employer drug or alcohol policies. The legislation bars the collection of all compensation when an employee violates an employer policy against drug or alcohol use and such violation is causal to the employee's injury, but not employer responsibility for medical treatment. The outright bar to recovery of compensation will result in an increase in hearing applications. It is anticipated that the amendment will add an estimated 100 hearings per year.
- Employees suspended or terminated for misconduct or substantial fault. This amendment denies eligibility for temporary disability during the healing period if employment is terminated for good cause under Unemployment Insurance standards. Employers could terminate injured workers during the healing period for cause to avoid payment of compensation for temporary disability, which would result in an increase in hearing applications. It is anticipated that the amendment will add an estimated 300 hearings per year.
- Apportionment of permanent partial disability. Medical practitioners will need to address cause and nature and extent of disability issues for a claimed work injury in relation to pre-existing disabilities, both work and non-work-related, and apportion any permanent disability. It is anticipated that this amendment will add an estimated 100 hearings per year.

Pursuant to 2015 Act 55, the worker's compensation adjudicatory responsibilities are transferred from the Department of Workforce Development (DWD) to DHA, effective January 1, 2016. Based on the MOU developed by the two agencies, under which DWD pays for the services provided by DHA, DHA will receive \$3.58 million annually to perform the worker's compensation adjudicatory functions. DHA estimates that the changes included in the bill would increase both the number of hearings and requests for hearings. There are currently approximately 5,300 hearing requests and 600 hearings annually. With the proposed changes, it is estimated that these figures would increase number of hearings by at least 500 annually. In order to resolve hearing requests within the current nine month standard, DHA estimates that it would require an additional 2.5 Administrative Law Judges and 1.0 support staff, along with a commensurate increase in travel, supplies and court reporting, for annual increased costs of \$527,500.

### Long-Range Fiscal Implications

While case law relating to these changes will be settled over time, it is estimated that any reduction in the number of requests for hearings and the number of hearings will not occur within five years of the effective date.

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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<b>LRB Number</b> <b>15-3724/1</b>		<b>Introduction Number</b> <b>SB-536</b>	
<b>Description</b> Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$387,500		\$
(FTE Position Changes)	(3.5 FTE)		
State Operations - Other Costs	140,000		
Local Assistance	0		
Aids to Individuals or Organizations	0		
<b>TOTAL State Costs by Category</b>	<b>\$527,500</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS (20.505(4)(kp))	527,500		
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$0		\$
GPR Earned	0		
FED	0		
PRO/PRS	0		
SEG/SEG-S	0		
<b>TOTAL State Revenues</b>	<b>\$0</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$527,500		\$
NET CHANGE IN REVENUE	\$0		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOA/ Kris Frederick (608) 261-2292		Colleen Holtan (608) 266-1359	2/4/2016