

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 04/24/2017  
POSITION: Oppose

BILL NUMBER: AB 553  
AUTHOR: Daly, Tom

**BILL SUMMARY: Workers' compensation: return-to-work program.**

This bill requires the Department of Industrial Relations to completely disburse \$120 million annually from the Workers' Compensation Return to Work Fund, by making supplemental disbursements, not to exceed a total award of \$25,000 per worker in each calendar year.

**FISCAL SUMMARY**

The Department estimates this bill results in General Fund costs of \$411,000 initially and \$388,000 ongoing for two positions to conduct a secondary review of each application, develop a formula for pro-rated distribution to ensure that each applicant receives the maximum benefit without exceeding \$25,000, and send out a second check to each applicant. Finance concurs with the estimate and notes that any request for resources pursuant to this bill will be evaluated through the budget process.

**COMMENTS**

Finance is opposed to this bill because it results in costs to the General Fund not consistent with the current budget. Finance also notes concerns with making changes to the Return to Work Supplemental Program which took effect in 2015 and may not be fully utilized. More time is needed to evaluate the program before making changes to its funding allocations. In addition, the allocation of additional benefits on a pro-rata basis would bear no relationship to a worker's actual loss of earnings, which is inconsistent with the purpose of the program.

Chapter 363, Statutes of 2012 (SB 863) established the program and required that it receive \$120 million annually from the Workers' Compensation Administration Revolving Fund, which is funded by employer-based fees. The purpose of the program is to fund payments to people whose permanent disability benefits are disproportionately lower than earnings lost due to their permanent disability.

According to the author, labor representatives believe they were promised an annual disbursement of \$120 million in permanent disability benefits each year. However, the benefits awarded from the Return to Work fund has not added up to the expected \$120 million, due to slow implementation, eligibility requirements, and payment caps.

This bill requires the Department of Industrial Relations to completely disburse \$120 million each year from the Fund. If the Department has not fully expended all of its funds, all remaining funds must be disbursed as a second benefit, not to exceed a total maximum award of \$25,000 per calendar year. Less than \$120 million may only be disbursed in years when maximum disbursements for all claimants is less than \$120 million. This bill also prohibits a person, including an attorney, from collecting a fee or commission for providing assistance to a worker to apply for benefits.

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Analyst/Principal (0842) D.Brandon	Date	Program Budget Manager Justyn Howard	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

**BILL NUMBER**

Daly, Tom

04/24/2017

AB 553

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2017-2018	FC	2018-2019	FC	2019-2020
7350/DIR	SO	No	A	411	A	388	A	388 0001