Multiple Agency Fiscal Note Summary

Bill Number: 1927 HB	Title: Temporary total disability

Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Board of Industrial Insurance Appeals	Fiscal note not available											
Department of Labor and Industries	1.6	0	0	404,000	3.2	0	0	664,000	3.2	0	0	664,000
Total $	1.6	0	0	404,000	3.2	0	0	664,000	3.2	0	0	664,000

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Board of Industrial Insurance Appeals	Fiscal note not available								
Department of Labor and Industries	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Anna Minor, OFM	Phone:	Date Published:
	(360) 790-2951	Preliminary 1/ 9/2024

FNPID 68876

Individual State Agency Fiscal Note

Bill Number: 1927 HB	Title: Temporary total disability	Agency: 235-Department of Labor and Industries

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	3.2	1.6	3.2	3.2
Account					
Accident Account-State 608-1	0	202,000	202,000	332,000	332,000
Medical Aid Account-State 609-1	0	202,000	202,000	332,000	332,000
Total $	0	404,000	404,000	664,000	664,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Kelly Leonard	Phone: 360-786-7147	Date: 01/02/2024
Agency Preparation:	Donald Jenson Jr	Phone: 360-902-6981	Date: 01/09/2024
Agency Approval:	Trent Howard	Phone: 360-902-6698	Date: 01/09/2024
OFM Review:	Anna Minor	Phone: (360) 790-2951	Date: 01/09/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
608-1	Accident Account	State	0	202,000	202,000	332,000	332,000
609-1	Medical Aid Account	State	0	202,000	202,000	332,000	332,000
		Total $	0	404,000	404,000	664,000	664,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.2	1.6	3.2	3.2
A-Salaries and Wages		215,000	215,000	430,000	430,000
B-Employee Benefits		85,000	85,000	170,000	170,000
C-Professional Service Contracts					
E-Goods and Other Services		73,000	73,000	62,000	62,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		30,000	30,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	404,000	404,000	664,000	664,000

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Fiscal Analyst 5	76,607		0.2	0.1	0.2	0.2
Workers Compensation Adjudicator 2	67,720		3.0	1.5	3.0	3.0
Total FTEs			3.2	1.6	3.2	3.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

See attached.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Part II: Explanation

This bill relates to reducing the number of days that a worker's temporary total disability must continue to receive industrial insurance compensation for the day of an injury and the three-day period following the injury, amending RCW 51.32.090.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 1(7) amends RCW 51.32.090 to change the period of disability required for time-loss compensation for the first three days following an injury from fourteen to seven days.

Section 2(7) amends RCW 51.32.090 to change the period of disability required for time-loss compensation for the first three days following an injury from fourteen to seven days.

Section 3 stipulates that section 2 takes effect July 1, 2025.

Section 4 stipulates that section 1 expires July 1, 2025.

II. B – Cash Receipt Impact

Non-Appropriated – State Fund Premiums

As an insurance entity, L&I premium rates are intended to match premiums to claims cost projections. Therefore, for this fiscal analysis it is assumed that any incremental costs or savings will equal the incremental revenue collected.

Non-Appropriated – Premium Impact to Employers

Individual changes to the Accident and Medical Aid fund do not change rate assumptions by themselves. Cost increases are only one of many components in determining rates. The high-level strategy that is used to determine if a rate change is necessary is as follows:

- Review of liabilities, or costs of the Workers' Comp System.
- Investment earnings.
- Adequate revenue (premiums + investments) based on projected costs (actuarial estimates) will determine need for a premium change.

Non-Appropriated – Self-Insured Employers

If an employer chooses to be self-insured, they are responsible to pay for overall claim costs and a portion of administration costs of L&I's Self-Insurance Program and other costs of related support functions. The administrative assessment is an amount per dollar of claim benefit costs. If benefit costs are increased due to the change in the waiting period for time-loss compensation, self-insured employers would be assessed by L&I for their appropriate portion of administrative costs based on the increase. Incremental costs or savings will equal the incremental revenue collected from assessments.

II. C – Expenditures

Non-Appropriated – State Fund Benefits Costs

There is non-appropriated impact to the Accident Account, fund 608, and Medical Aid Account, fund 609. (Non-appropriated costs are not included in the Fiscal Note Summary.) The following assumptions were used to calculate the estimates:

Decreasing the retroactive time-loss days threshold

The amounts below estimate the impact of reducing the retroactive time-loss day threshold from fourteen to seven days in RCW 51.32.070 (7). Currently time-loss compensation is not received for the first three days of eligibility unless the injured worker's disability continues for fourteen days or more.

Additional days of time-loss compensation paid

If the fourteen day threshold is reduced to seven days then those injured workers that currently receive four to thirteen days of time-loss compensation will see an increase of three additional days of time-loss compensation.

To determine number of injured workers receiving time-loss compensation, increased from four to thirteen days, for fiscal year 2025, we utilized fiscal years 2016 and 2017 which reflect stable pre-pandemic claim counts.

For fiscal accident year 2025, a year in which anticipate 9,593 = 16,491 / 39,540 X 23,000 additional days of time-loss compensation.

Also additional days of time-loss results in incentives for additional duration of time-loss compensation. We are anticipating an additional 50 percent of days will also be compensated, some 4,796 = 9,593 X 0.50 days. That gives us a total of 14,389 = 9,593 + 4,796 additional days of time-loss compensation.

Average time-loss compensation increases by 0.26% annually

At an estimated $114.48 paid on average per time-loss day, we anticipate an additional $1,647,000 of paid time-loss benefits, which are 0.26% of the total $638,590,000 of time-loss benefits paid for fiscal accident year 2025.

	2024	**HB 1927 Actuarial Impact**
		Annual change during Fiscal Accident Year 2025
(1)	5,497	Expected claims with 4 to 13 days of time-loss during FAY 2016 and 2017
(2)	3	Increase in days of time-loss due to 7 day retroactive period
(3) = (1) x (2)	16,491	Increase in total time-loss days for affected claims
(4)	39,540	Ultimate non COVID-19 lost-time claims during FAY 2016 and 2017
(5)	23,000	Ultimate non COVID-19 lost-time claims during FAY 2025
(6) = (3) / (4) x (5)	9,593	Expected increase in time-loss days for FAY 2025
(7) = (6) x 50%	4,796	Additional 50% increase due to increased incentive
(8) = (6) +(7)	14,389	Total increase in time-loss days
(9)	$114.48	Average daily time-loss/LEP rate during FAY 2025
(10) = (8) x (9)	1,647,000	Total increase in time-loss benefits
(11)	638,590,000	W/o change annual time-loss/LEP cost FAY 2025
(12) = (10) / (11)	0.26%	Percentage increase to time-loss/LEP costs

At 0.26% of time-loss and LEP benefits the yearly additional compensation is estimated to be:

Fiscal Accident Year	w/o change Annual Time-loss/LEP costs	w/change Increase
2025	$638,590,000	$1,647,000
2026	$677,610,000	$1,748,000
2027	$720,880,000	$1,859,000
2028	$765,440,000	$1,974,000
2029	$810,420,000	$2,090,000
Sub-total	$3,612,940,000	$9,318,000
		0.26%

Appropriated – Operating Costs

This bill increases expenditures to the Accident Account, fund 608, and Medical Aid Account, fund 609. The following assumptions were used to estimate the resources requested to implement this bill.

Staffing

Three (3.0) FTE, Workers' Compensation Adjudicator 2 (WCA2), permanent, beginning July 1, 2024. Duties include review and manage a caseload of level 2 workers' compensation claims in accordance with the industrial insurance laws, case law and department rules and policies; pay compensation benefits; establish wages and entitlement to benefits; high volume telephone interaction with injured workers, medical and vocational providers, attorneys, employers and employer representatives. This is based on the following:

- It is estimated that 14 percent of compensable claims will be impacted by this legislation. (23,000 compensable claims are expected in FY 2025, 14% of which would be 3,220 claims).
- It is estimated that there will be an average increase of 50% in days of time-loss paid due to increased disability duration because of the change in behavior of workers and employers once the retroactive wait period is shortened.
- The cost of additional benefits for the first year is $1,647,000.
- The workers comp insurance industry uses 25% of benefits in order to manage these claims.
- An addition of 3 WCA2s, for the first year would cost approximately $109,000 X 3 = $327,000. This is roughly 20% of benefit costs, which is slightly less than the industry administrative cost.
- These resources are needed to manage the additional 3,220 affected claims with 4,796 additional days of time loss paid annually, along with the portion of claims that will have an increased duration requiring ongoing medical and disability management.

Printing

$41,260 is needed during fiscal year 2025 for printing costs for the following:

- Employers Guide to Self-Insurance (F207-079-000).
- A Guide to Workers' Compensation Benefits for Employers of Self-Insured Businesses (F207-085-000).
- Workers' Compensation Benefits: A guide for Injured Workers (F242-104-000).
- Employers' Guide to Workers' Compensation Insurance in Washington State (F101-002-000).

Indirect Costs

The amount included in this fiscal note for indirect is:

Fund	Name	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
608	Accident	0	9,500	9,500	9,500	9,500	9,500
609	Medical Aid	0	9,500	9,500	9,500	9,500	9,500
	Total:	$0	$19,000	$19,000	$19,000	$19,000	$19,000

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries' indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes, the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 5 (Range 59, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.