DEPARTMENT OF FINANCE

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October 10, 2014

Mr. Fred Lonsdale
California Department of Industrial Relations
Office of the Director, Legal Unit
1515 Clay Street, 7th Floor
Oakland, CA 94612

Dear Mr. Lonsdale:

Thank you for submitting the standardized regulatory impact assessment (SRIA), the summary (Form DF-131), and other related documents for the proposed Return-to-Work regulations as required in California Code of Regulations, title 1, section 2002(a)(1). We appreciate your efforts in ensuring the SRIA contains sufficient information to help the public and stakeholders understand the tradeoffs that were made in the regulatory design.

Based on our understanding, the proposed regulations would set out the procedures to distribute the $120 million in annual funds directed towards workers who are permanently disabled and cannot return to their previous employment. After consulting with stakeholders, the Department of Industrial Relations (DIR) proposed regulations to strike a balance between ease of access and targeting workers with higher income losses.

Finance, in general, agrees with DIR's approaches to estimating the distributional and total impacts of the regulations. The analysis of alternatives also highlights some of the regulatory tradeoffs made, and the discussion of those impacts is helpful. There may be some areas where the SRIA could be strengthened with additional details and narrative, however, as suggested below.

DIR may want to expand its qualitative discussion on macro impacts of the proposed regulations. There could be a decrease in investment by the affected employers if they reduce their operations to minimize the burden of the $120 million assessment. On the other hand, the higher levies may encourage them to invest as they innovate so as to reduce workers' injuries.

We also suggest the section on the industry-level impacts be expanded if there is data available. While the SRIA notes that the assessment to fund the $120 million annually will be proportional to workers' compensation insurance, and hence fall more heavily on industries that currently pay higher insurance premiums, it would have been helpful to provide indicative numbers to illustrate this distribution. It would also be useful to complement this industry-level analysis with the offsetting impacts from personal consumption by workers receiving this benefit, rather than relying on statewide impacts and discussing industry impacts qualitatively. We think it would benefit the public's understanding to include such context, and compiling this information would be useful for future economic analysis.

These comments are intended to provide sufficient guidance outlining revisions needed in this analysis and for future analysis. The SRIA, a summary of our comments, and your responses to them must be included in the submission of your regulatory package to the Office of Administrative Law. A copy of the SRIA, Form DF-131, and our comments will be posted on

Finance's website as well. Please let us know if you have any questions regarding our comments.

Sincerely,

Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Office of Administrative Law
Ms. Christine Baker, Department of Industrial Relations
Mr. Christopher Jagard, Department of Industrial Relations