STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

Agency (Department) Name	Contact Person	Mailing Address
Department of Industrial Relations	Fred Lonsdale	Office of the Director - Legal Unit 1515 Clay Street, 7th Floor Oakland, CA 94612
Email Address	**Telephone Number**	
flonsdale@dir.ca.gov	510-286-3800	

1. Statement of the need for the proposed major regulation.

These regulations are necessary to implement a $120,000,000.00 Return-to-Work program created by the Legislature in SB 863, the workers' compensation reform bill of 2012. The Legislature directed the Director of the Department of Industrial Relations to determine eligibility for payments based on studies of the workers' compensation system. These regulations establish who may be eligible and how to apply for the payments. The regulations are essential because the funds cannot be paid out to injured workers until the eligibility criteria are established.

2. The categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.

These regulations themselves do not impose any obligations for payment or administration on insurance carriers or business enterprises and will not impact business. The regulations establish which individuals will be eligible for payments from the Return-to-Work program. The regulations do not impose costs on those individuals who may wish to apply for payments from the program. The $120 million Return-to-Work Supplement will impact those approximately 24,000 injured workers who do not return to their at injury employment. The $120 million will also increase the assessment on the 860,000 businesses in California required to provide workers' compensation coverage.

3. Description of all costs and all benefits due to the proposed regulatory change (calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency).

The Legislature added Labor Code section 139.48 which establishes a $120 million fund annually derived from non-General Funds of the Workers' Compensation Administration Revolving Fund funded primarily by assessments on employers, per Labor Code 62.5 (f)(1). These regulations do not add any costs or benefits to this fund. DIR will administer the program with budgeted funds. The $120 million will directly benefit those workers who are eligible and indirectly benefits those businesses when the funds are spent. The cost will be borne by all employers who are required to provide workers' compensation. The cost of administration is approximately $5 million and is within the department's budget.

4. Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed $50 million.

The Return-to-Work Supplement program will begin providing payments to workers injured on or after January 1, 2013 and payments will begin once these regulations are approved and continue thereafter at the annual amount of $120 million.

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

5. Description of the agency's baseline:

The existing budget authority provides the baseline for these regulations. The baseline for the Return-to-Work Supplement is $120 million annually.

6. For each alternative that the agency considered (including those provided by the public or another governmental agency), please describe:
   a. All costs and all benefits of the alternative
   b. The reason for rejecting alternative

The Return-to-Work Supplement will be a $120 million fund regardless of any alternative chosen. The alternatives only can delimit how that fund is distributed. Alternative one: limit the benefit to those injured workers whose wage loss exceeds average by 30% or more. This alternative is more costly to administer, and would delay payment until a determination as to the average wage loss could be made. Alternative two: limit the benefit to those injured workers who receive a job displacement benefit and have higher than average wage loss. This alternative would also have much higher administrative costs, four times the current budget, and would only slightly alter the amount paid to each eligible worker. This alternative would also require that payment be delayed until the average wage loss could be determined.

7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

DIR conducted meetings with stakeholders concerning the proposed regulations including a meeting for stakeholders held in Oakland on April4, 2014, which included representatives of labor, injured workers and their attorneys, the insurance industry and employers.

8. A description of the economic impact method and approach (including the underlying assumptions the agency used and the rationale and basis for those assumptions).

The regulations themselves have very little economic impact. The Return-to-Work Supplement of $120 million will be paid to injured workers with higher wage loss. The Department assumes that these funds will be spent to replace the income loss. The amount input into the economy would be the full $120 million and there would be indirect effects to the economy as a whole, but no specific sector would benefit more or less than others. The cost will be equal to the benefits paid out and will be borne by the employers required to provide workers' compensation insurance. It is estimated that this cost will result in some possible job loss or reduced future wages.

Agency Signature	Date
	10-2-14

Agency Head (Printed)

David Lanier, Secretary, State of California Labor & Workforce Development Agency