

WORKERS' COMPENSATION COMMISSION (0390)
FISCAL YEAR 2014 & 2015 - Executive Recommendation

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Workers' Compensation Commission (WCC) administers and enforces the Arkansas Workers' Compensation Law to ensure that all covered employers secure insurance coverage from commercial carriers or through self-insurance programs and adjudicates all work related injury claims by employees against their employers or insurance carriers. The WCC laws are designed to protect employers, employees, and their dependents from financial burdens imposed by job-related injury and disease. In addition, the AWCC regulates workers' compensation awards to insure that benefit providers make correct and timely payments to eligible claimants.

TOTAL BUDGET

The total budget for the Commission is \$194,143,053 for FY2014 and \$194,149,212 for FY2015.

FUNDING SOURCES

The appropriations for the WCC are funded by a 3% premium tax on worker's compensation insurance premiums (credited to 3 Trust Funds: Second Injury Trust Fund (receives 0.2% of the tax), Death and Permanent Total Disability Trust Fund (receives 1.3%), and the Workers' Compensation Fund (receives 1.5%) and Cash Funds from seminar receipts (approx. .06% of total WCC funding).

II) SIGNIFICANT CHANGES

REFUNDS AND CLAIMS (APPROPRIATION 203)

This appropriation is funded by Premium Tax proceeds levied on workers' compensation insurance premiums, and is used to pay required benefits that exceed established thresholds, which are \$75,000 for injuries that occurred prior to January 1, 2008 and for injuries that occurred on or after January 1, 2008 the threshold is 325 times the maximum total disability rate (for CY2012 injuries the threshold is \$189,800 or 325 times the max. disability rate of \$584). The total appropriation is \$158,750,000 each year and includes a \$5 million dollar reduction to their investments line item due to anticipated decreases in revenue.

ADMINISTRATION (APPROPRIATION 355)

This appropriation is also funded by Premium Tax proceeds levied on workers' compensation insurance premiums and is used to provide operating expenses for the administrative and judicial functions of the Commission. The total appropriation is \$27,897,603 for FY2014 and \$27,903,762 for FY2015 with the following changes:

Regular Salaries and Matching - Reduction of \$67,274 each year due to the request to discontinue two positions (Administrative Specialist III (C112) and Administrative Specialist II (C109) whose responsibilities have been absorbed by technology.

Capital Outlay - Increase of \$30,000 each year for car replacement and law library holdings.

Computer Software/Hardware - Increase of \$77,300 each year to replace servers and other outdated equipment.

SECOND INJURY CLAIMS (APPROPRIATION 356)

This appropriation is funded by Premium Tax proceeds levied on workers' compensation insurance premiums and is used to pay the claims of disabled persons injured on the job so that the employer is not held liable for greater disability or impairment than actually occurred while the employee was employed. The appropriation is \$7,250,000 each year which is a reduction of \$2,000,000 each year in the Claims line item due to the passage of Act 1415 of 2007 which prohibits claims for second injuries after January 1, 2008.

SEMINAR - CASH IN TREASURY (APPROPRIATION 866)

This appropriation is funded by registration and exhibit booth fees collected to pay the expenses of the Arkansas WCC Education Conference and to contribute to the "Kids Chance" scholarship program. The appropriation is \$140,000 each year which is a continuation of the base level.

BUILDING REPAIR (APPROPRIATION 99T)

This appropriation is funded by Premium Tax proceeds levied on workers' compensation insurance premiums and is to be used for maintenance, renovation, equipping, construction, improvement, upgrade and repair projects for the Workers' Compensation Commission Building. This appropriation is reduced \$247,325 each year to \$105,450.

III) ADDITIONAL POSITIONS

Total Positions for FY2015: 146
Total Positions for FY2014: 146
Total Budgeted Positions for FY2013: 148
Increase / (Decrease): (2)

Discontinues two positions (Administrative Specialist III (C112) and Administrative Specialist II (C109) whose duties are being absorbed by technology.

IV) SPECIAL LANGUAGE

INVESTMENTS: Authorizes funds in the Death and Permanent Total Disability Trust Fund, Second Injury Trust Fund, and Workers' Compensation Trust Fund to be invested and reinvested in all such investments authorized for use by the Office of Treasurer, and provides the investments will be completed by fund transfer as directed by the Chief Executive Officer of the Workers' Compensation Commission.

October 2012