

HOUSE BILL REPORT

HB 2025

As Reported by House Committee On:
Labor & Workforce Development

Title: An act relating to achieving savings in workers' compensation, but only with respect to freezing cost-of-living increases for fiscal year 2012.

Brief Description: Freezing industrial insurance cost-of-living increases.

Sponsors: Representatives Springer and Sells.

Brief History:

Committee Activity:

Labor & Workforce Development: 3/22/11, 4/18/11 [DP].

Brief Summary of Bill

- Freezes certain industrial insurance cost-of-living adjustments for fiscal year 2012.

HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

Majority Report: Do pass. Signed by 7 members: Representatives Sells, Chair; Reykdal, Vice Chair; Green, Kenney, Miloscia, Moeller and Roberts.

Minority Report: Do not pass. Signed by 6 members: Representatives Condotta, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Fagan, Ormsby, Taylor and Warnick.

Staff: Joan Elgee (786-7106).

Background:

Under the state's industrial insurance laws, employers must insure through the State Fund administered by the Department of Labor and Industries or, if qualified, may self-insure. Workers injured in the course of employment or disabled from an occupational disease are entitled to benefits. Workers temporarily unable to work receive time-loss benefits. A worker who suffers specified catastrophic injuries or other condition permanently

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incapacitating the worker from performing any work at any gainful occupation is entitled to permanent total disability (TPD or also referred to as pension) benefits. The amount of the time-loss or TPD benefits is 60 to 75 percent of the worker's wages, depending on the worker's family status and number of dependents, and subject to minimum and maximum amounts. The survivors of a worker who died as a result of a workplace injury or disease are also entitled to benefits.

Workers and their survivors receive a cost-of-living adjustment on July 1 of each year. For workers whose right to compensation was established on or after July 1, 1971, the adjustment is determined by multiplying the amount of the worker's compensation by a fraction. The denominator is the average monthly wage in the state for the fiscal year in which the person's right to compensation was established, and the numerator is the average monthly wage on July 1 of the adjustment year. The average monthly wage is determined by the Employment Security Department.

Summary of Bill:

No cost-of-living adjustment shall be made on July 1, 2011, for workers whose right to compensation was established on or after July 1, 1971.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.

Staff Summary of Public Testimony:

(In support) This bill is another opportunity to find some cost savings along with other bills. It *is* a reduction in benefits. Extraordinary times require tough decisions.

(With concerns) The system is not broken. The reforms passed so far save money and are huge changes. This bill is one of the least bad paths. It cuts benefits but does not devastate workers. The Legislature should be cautious. Policies should help injured workers; this bill removes the safety net that workers need. Wall Street, not injured workers, caused the system problems. Washington is unique in that workers pay up to 30 percent of premiums.

(Opposed) This is a band-aid bill that does not help business. Bold, substantive reform is needed. Businesses have had to close down and stop certain operations that have high liability. A business had no rate increase in seven years and got a rebate in Oregon while experiencing a 24 percent increase in rates in Washington. The average time loss is 284 days rather than the 120-day nationwide average. The system is not fundamentally sound. The costs affect customers. If employers leave the state, it will be devastating to workers. Predictability and sustainability are needed. The bill will cost money.

Persons Testifying: (In support) Representative Springer, prime sponsor.

(With concerns) Rebecca Johnson, Washington State Labor Council; Tara Goode, Washington State Nurses Association; Dave Johnson, Washington State Building and Construction Trades Council; Sarah Cherin, United Food and Commercial Workers Local 21; Larry Shannon, Washington State Association for Justice; Craig Soucy, Washington State Council of Fire Fighters; Sharon Ness, United Food and Commercial Workers-Washington State Council; Nicole Grant, Certified Electrical Workers of Washington; Randy Loomans, International Union of Operating Engineers; Sean O'Sullivan, Association of Western Pulp and Paper Workers; and Cody Arledge, Sheet Metal Workers Local 66.

(Opposed) Jerry Murphy, Greenshields Industrial Supply; Dave Morrell, NGS Inc.; Tim Baker, Baker Electric; Frank Riordan, Becker Trucking; Betty Neighbors and Steve Neighbors, Terra Staffing; Larry Nicholas, Accurate Lock; Kris Tefft, Association of Washington Business; Dave Kaplan, Washington Self-Insurers Association; Rick Slunaker, Associated General Contractors of Washington; and Patrick Connor, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: (Opposed) Tammie Hetrick, Washington Retail Association; Tom Kwieciak, Building Industry Association of Washington; Scott Dilley, Washington Farm Bureau, and Nancy Hiteshue, Washington Roundtable.

(Information only) Vickie Kennedy, Department of Labor and Industries.