HB 24-1220

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-0622	**Date:**	February 13, 2024
Prime Sponsors:	Rep. Daugherty Sen. Marchman	**Bill Status:**	House Business & Labor
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Bill Topic: **WORKERS' COMPENSATION DISABILITY BENEFITS**

Summary of Fiscal Impact:

☐ State Revenue ☐ State Transfer ☐ Local Government
☒ State Expenditure ☐ TABOR Refund ☒ Statutory Public Entity

The bill changes the calculation of benefits for certain workers' compensation claims, among other changes. The bill increases state expenditures beginning FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $1,403,556 to the Department of Personnel and Administration.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1220

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures[1]	General Fund	$1,403,556	-
	Reappropriated Funds	-	$2,807,112
Transfers		-	-
Other Budget Impacts	General Fund Reserve	$210,533	-

[1] *Out year costs will be paid using a mix of General Fund, cash funds, and federal funds reappropriated from affected state agencies to the risk management pool in DPA based on claims data.*

Summary of Legislation

Under current law, a claimants' benefit is determined by an impairment rating. A claimant whose impairment rating is 19 percent or less may receive up to $75,000 from combined temporary disability and permanent partial disability payments. A claimant with impairment greater than 19 percent may receive up to $150,000. This bill removes the limitation based on an impairment rating, and limits combined payments to $300,000 for any claimant.

The bill also makes several changes related to benefits paid under workers' compensation including:

- allowing a claimant to refuse an offer of modified employment under certain circumstances;
- adding the ear to a list of body parts for which a claimant can receive permanent impairment benefits; and,
- allowing a claimant to have benefits directly deposited into a bank account.

Background

The State Office of Risk Management in the Department of Personnel and Administration (DPA) pays workers' compensation benefits to state employees. The state is self-insured for workers' compensation claims. Annually, the office's actuary projects the state's total workers' compensation needs and estimates the allocation for each agency as a percent of the total.

State Expenditures

The bill is expected to increase state expenditures for the Office of Risk Management in the DPA by $1.4 million in FY 2024-25, and by $2.8 million in FY 2025-26 and subsequent fiscal years. Expenses in FY 2024-25 are assumed paid from the General Fund. Increased expenses in future budget years are based on an actuarial analysis to determine spending authority adjustments through the annual budget process.

Risk management. Based on historical data for workers' compensation claims assigned to the Department of Law from 2020 to 2022, it is estimated that the bill's change in disability benefits would have increased the cost of the combined benefits paid for temporary and permanent partial disability by about $3,773 per case. The department's third-party administrator assumes it will receive 744 cases annually, which increases the financial obligation of the risk management pool by about $2.8 million. Since the new benefit amount only applies to benefits claimed after January 1, 2025, the estimate for FY 2024-25 is a half-year amount, assuming only 372 claims.

Other expenditures. Eliminating the current cap on certain benefits and the link to impairment ratings could increase the cost of premiums paid to the state's excess carrier and third-party administrator for workers' compensation claims. The bill may also impact workload in the Office of Administrative Courts to consider additional disputes or public benefits cases. These costs are adjusted through the annual budget process, and do not require a separate appropriation.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Statutory Public Entity

Pinnacol Assurance was created in statute as a political subdivision to provide workers' compensation insurance to employers in Colorado. Expanded benefits under the bill may increase benefits payments by Pinnacol Assurance. If necessary, these additional costs will be covered through adjustments in employer premiums

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that changes to the determination of claimant benefits takes effect January 1, 2025 and applies to claims arising on or after that date.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of $1,403,556 to the Department of Personnel and Administration.

State and Local Government Contacts

Labor	Law	Personnel
Pinnacol Assurance		

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.