

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5217 SB	<b>Title:</b> Musculoskeletal injuries/L&I	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.4	3.2	2.8	3.2	3.2
<b>Account</b>					
Accident Account-State 608-1	314,000	360,000	674,000	720,000	720,000
Medical Aid Account-State 609-1	56,000	63,000	119,000	126,000	126,000
<b>Total \$</b>	<b>370,000</b>	<b>423,000</b>	<b>793,000</b>	<b>846,000</b>	<b>846,000</b>

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached.

### II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached.

### II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
608-1	Accident Account	State	314,000	360,000	674,000	720,000	720,000
609-1	Medical Aid Account	State	56,000	63,000	119,000	126,000	126,000
<b>Total \$</b>			<b>370,000</b>	<b>423,000</b>	<b>793,000</b>	<b>846,000</b>	<b>846,000</b>

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.4	3.2	2.8	3.2	3.2
A-Salaries and Wages	225,000	292,000	517,000	584,000	584,000
B-Employee Benefits	75,000	98,000	173,000	196,000	196,000
C-Professional Service Contracts					
E-Goods and Other Services	39,000	32,000	71,000	64,000	64,000
G-Travel	1,000	1,000	2,000	2,000	2,000
J-Capital Outlays	30,000		30,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	<b>370,000</b>	<b>423,000</b>	<b>793,000</b>	<b>846,000</b>	<b>846,000</b>

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Ergonomist 3	93,840	0.8	1.0	0.9	1.0	1.0
Fiscal Analyst 5	80,952	0.6	1.2	0.9	1.2	1.2
WMS2	104,887	1.0	1.0	1.0	1.0	1.0
<b>Total FTEs</b>		<b>2.4</b>	<b>3.2</b>	<b>2.8</b>	<b>3.2</b>	<b>3.2</b>

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

See attached.

## **Part II: Explanation**

This bill relates to the state's ability to regulate certain industries and risk classes to prevent musculoskeletal injuries and disorders.

### **II. A – Brief Description of What the Measure Does that Has Fiscal Impact**

**Section 2** repeals RCW 49.17.360 and RCW 49.17.370 regarding ergonomics.

**Section 3** amends RCW 49.17.020 to include new definitions for industry and risk classification.

**Section 4** adds a new section to RCW 49.17 that indicates the Department of Labor and Industries (L&I) may adopt rules to prevent musculoskeletal injuries and disorders for an industry or risk class, subject to the limits in this section. Those limits include:

- Within a 12-month period, L&I may not adopt more than one set of rules related to preventing musculoskeletal injuries and disorders for an industry or risk class that previously did not have rules related to preventing musculoskeletal injuries and disorders.
- Rules providing standards may only be adopted for industries or risk classes where compensable workers' compensation claims involved musculoskeletal injuries and disorders over a recent five-year period.
- Within 90 days of L&I filing a preproposal statement of inquiry for industry or risk class specific rules related to preventing musculoskeletal injuries and disorders, L&I must provide a report to the appropriate committees of the legislature.
- At least annually, L&I must publish a list of industries and risk classes eligible for rule making under this section.
- For employee home offices, L&I shall not have the authority to adopt any new or amended rules dealing with musculoskeletal injuries and disorders.
- The limit on rule making in this section does not apply to rules adopted or amended where required by the federal occupational safety and health administration.

**Section 5** authorizes L&I to provide funding to employers for equipment needed to comply with any musculoskeletal disorder rule under section 4 of this bill. An appropriation is not required for these expenditures.

## **II. B – Cash Receipt Impact**

### **Non-Appropriated – State Fund Premiums**

As an insurance entity, L&I premium rates are intended to match premiums to claims cost projections. Therefore, for this fiscal analysis it is assumed that any incremental costs or savings will equal the incremental revenue collected.

### **Non-Appropriated – Premium Impact to Employers**

Individual changes to the Accident and Medical Aid fund do not change rate assumptions by themselves. Cost increases are only one of many components in determining rates. The high-level strategy that is used to determine if a rate change is necessary is as follows:

- Review of liabilities, or costs of the Workers' Comp System.
- Investment earnings.
- Adequate revenue (premiums + investments) based on projected costs (actuarial estimates) will determine need for a premium change.

### **Non-Appropriated – Self-Insured Employers**

If an employer chooses to be self-insured, they are responsible to pay for overall claim costs and a portion of administration costs of L&I's Self-Insurance Program and other costs of related support functions. The administrative assessment is an amount per dollar of claim benefit costs. If benefit costs are increased due to the change in the reporting of musculoskeletal injuries, self-insured employers would be assessed by L&I for their appropriate portion of administrative costs based on the increase. Incremental costs or savings will equal the incremental revenue collected from assessments.

### **Receivables – Operating**

None.

## **II. C – Expenditures**

### **Non-Appropriated – State Fund Benefits Costs**

There is indeterminate non-appropriated impact to the Accident Account, fund 608, and Medical Aid Account, fund 609. (Non-appropriated costs are not included in the Fiscal Note Summary.) The bill, as written, does not require action by the department. For fiscal note purposes, L&I assumes pursuing rule making regarding ergonomics. Section 5 authorizes L&I to provide funding to employers for equipment needed to comply with any musculoskeletal disorder rule under section 4 of this bill. However, this is indeterminate at this time as the risk classes involved are determined and will not be until rules are completed. This will require 1.0 FTE, Fiscal Analyst 5, permanent, beginning January 1, 2024. Duties include remitting payments to employers for qualifying equipment purchases under this bill. This includes being involved with creating the rules to ensure compliance with requirements of the bill.

### **Appropriated – Operating Costs**

The bill, as written, does not require action by the department. For fiscal note purposes, we are providing an estimate based on the assumption that the intent is for the department to move forward with this legislation.

This bill increases expenditures to the Accident Fund, fund 608 and the Medical Aid Fund, fund 609. The following assumptions were used to estimate the resources requested to implement this bill:

- L&I would pursue rulemaking allowed in this bill, and begin the process as quickly as possible after passage of this bill, the process will involve extensive partnership with stakeholders.
- Rulemaking is expected to be complex and generate new requirements, which will expand our current ergonomic program.
- L&I's current ergonomics staff is six Ergonomists.

### **Staffing**

To address rulemaking and determining those industries that will be evaluated, L&I will establish a team as follows:

1.0 FTE, Washington Management Service 2-Program Manager, permanent, beginning July 1, 2023. Duties include managing the expanded statewide ergonomics program. This includes leading the rule making process, managing ergonomics staff, and ensuring outreach to employers and workplace assessments are done in a timely manner.

1.0 FTE, Ergonomist 3, permanent, beginning October 1, 2023. Duties include assisting in rulemaking, education outreach, and compliance for concerning ergonomic related hazards for employers statewide. This includes developing and providing training and outreach to the affected annual risk class. They would participate in consultative and compliance activities related to ergonomic hazards in the affected risk class.

Once rules are complete and the department has a better understanding of industries to be evaluated the department will require additional resources. These amount of resources will change based on the industry but resources may include:

- Ergonomists
- Economic Analysts
- Project management
- Change management
- Marketing and Outreach

At this time, the levels of resources are indeterminate.

**Indirect Costs**

The amount included in this fiscal note for indirect that are not indeterminate is:

Fund Name		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
608	Accident	13,000	16,000	16,000	16,000	16,000	16,000
609	Medical Aid	2,000	3,000	3,000	3,000	3,000	3,000
	Total:	\$15,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries’ indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes, the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 5 (Range 59, Step G).

#### **Part IV: Capital Budget Impact**

None.

#### **Part V: New Rule Making Required**

This legislation would result in new rules related to ergonomics.