

# Agenda Report

**TO:** CITY COUNCIL **DATE:** June 23, 1999

**Attn:** Legislative Committee

**FROM:** City Manager

**SUBJECT:** OPPOSITION OF SENATE BILL 320, WORKERS' COMPENSATION, ADMINISTRATION AND BENEFITS (SOLIS)

## **RECOMMENDATION**

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send a letter to the appropriate officials **opposing** Senate Bill 320 (Solis), *Workers' Compensation, Administration and Benefits*.

## **BACKGROUND**

Existing law provides a myriad of workers' compensation benefits payable to an injured worker and/or his or her dependents up to established maximum rates. Under current law, these benefits provide for temporary disability, permanent total disability, permanent partial disability, vocational rehabilitation, life pensions, and death benefits.

Over the past ten years, workers' compensation rates have been adjusted statewide a total of three times. These adjustments went into effect on January 1, 1990, January 1, 1991 and January 1, 1994. The last workers' compensation rate adjustment was part of a comprehensive 1993 Workers' Compensation Reform Package that increased the rates and benefits for temporary disability, permanent total disability, permanent partial disability, vocational rehabilitation, life pensions and death benefits. This overall reform phased in the expansion of various benefits in subsequent years. The last expansion of benefits occurred on July 1, 1996.

### **Bill Impact and Status**

On February 8, 1999 Senator Hilda Solis authored and introduced Senate Bill 320. This bill provides for various increases of benefits for temporary disability, permanent total disability, permanent partial disability, vocational rehabilitation, life pensions and death benefits for injuries or deaths on or after January 1, 2000. On May 24, 1999 Senate Bill 320 was placed in the Senate Appropriations suspense file. Subsequently on June 3, 1999, Senate Bill 320 was read for the second time, amended by the author and re-referred to the Senate Appropriations Committee via a rule waiver, but a hearing date has not been set for the bill.

The League of California Cities and California Self-Insured Association (CSIA) are opposed to Senate Bill 320.

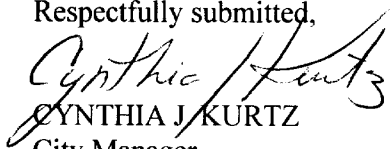
### **FISCAL IMPACT**

Over the past ten years, the City of Pasadena's workers' compensation payments have steadily increased at an average rate of approximately 8% as a result of the various rate increases and the expansion of benefits that have occurred over this period. In fiscal year 1998, the City of Pasadena incurred a total of \$3.5 million in workers' compensation payments. It is estimated that a total of \$4.1 and \$4.2 million in workers' compensation payments will be made in fiscal years 1999 and 2000 respectively. If enacted into law, Senate Bill 320 would further increase the City of Pasadena's workers' compensation rates in order to offset the increased costs of providing enhanced work-related injury benefits. In particular, Senate Bill 320 would increase workers' compensation benefits as follows:

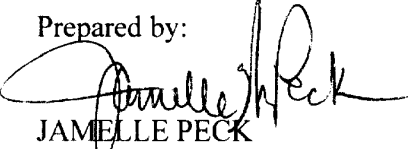
- Raise the vocational rehabilitation maintenance allowance from \$246 to \$346 per week, and the overall cap from \$16,000 to \$18,800;
- Increase the weekly temporary disability maximum from \$490 to \$651;
- Provide unprecedented annual adjustments to the temporary disability payments by an index of the state average weekly wage;
- Increase the maximum permanent partial disability payment from \$230 per week based on a tier tied to the percentage of disability to a \$280 per week flat amount;
- Increase maximum death payments payable from \$160,000 to \$500,000; and,
- Allow, for the first time ever, a totally dependant widow or widower to receive death benefits until their death, notwithstanding the maximum limitation.

It is estimated that these benefit increases will cost the City of Pasadena approximately \$800,000 in fiscal year 2000, representing an immediate 20% increase in workers' compensation payments. Cost increases for fiscal year 2001 are estimated at an additional 10%, or \$500,000. Continued annual increases can be expected and directly attributed to the temporary disability index adjustments. For both fiscal years 2000 and 2001, these workers' compensation benefit increases represent yet another state mandate without the corresponding funding.


Respectfully submitted,

  
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