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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/13

SPONSOR Woods LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Workers' Comp Cleanup SB 275

ANALYST Aledo-Sandoval

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI*	NFI*	NFI*	Recurring	WCA

(Parenthesis ( ) Indicate Expenditure Decreases)

\*See Fiscal Implications

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Workers' Compensation Administration (WCA)

Department of Health (DOH)

### SUMMARY

#### Synopsis of Bill

Senate Bill 275 amends the Workers' Compensation Act in the following ways:

- Consolidates the workers' compensation safety programs and requirements into one section of the law.
- Defines "extra-hazardous employer" and provides for up to a \$5,000 penalty.
- Raises the premium threshold for a mandatory annual safety visit from \$5 thousand to \$15 thousand.
- Transfers to the WCA, rather than the Advisory Council, the responsibility of creating safety programs for small businesses.
- Clarifies the allocation of compensation benefits to beneficiaries.
- Allows either party to request a medical examination.
- Replaces the safety and fraud division with the enforcement bureau.
- Deletes the prohibition against ombudsmen holding other positions within the WCA for one year
- Removes the requirement to use certified mail as the means by which to provide recommendations for resolution.
- Removes the requirement that hearings on workers' compensation claims be held in the county in which the injury occurred.

## **FISCAL IMPLICATIONS**

The WCA indicates that there are no fiscal impacts; however, there would be cost savings related to certified mail no longer being required and travel costs decreasing with mediations occurring via videoconferencing or telephone.

## **SIGNIFICANT ISSUES**

The WCA notes that small businesses have become subject to the safety inspection requirement by virtue of inflation and rising premiums since the statute was enacted in 1991. This bill raises the threshold for a mandatory safety inspection.

The WCA currently conducts safety inspections and develops safety programs through trained safety personnel located in every field office; SB275 transfers responsibility for development safety programs to the WCA. The safety and fraud division within the WCA no longer exists.

The WCA notes that SB275 addresses the current unintended situation where a worker's children sometimes receive no benefits if the children did not reside with worker's current spouse.

The DOH adds that regardless of the specific premium threshold, it is important that small businesses receive adequate safety education and monitoring. According to a report in 2011, construction nonfatal injuries and illnesses are vastly underreported, especially by small establishments/contractors, or those with 10 or fewer wage-and-salary employees. Specifically, among these small contractors, estimated numbers suggest that 75 percent of nonfatal injuries to Hispanic workers are not reported, and 40 percent of injuries are unreported for white, non-Hispanic workers (Dong et al. 2011, Injury underreporting among small establishments in the construction industry, *American Journal of Industrial Medicine*).

According to the WCA, this bill has been approved by the Advisory Council on Workers' Compensation and Occupational Disease.

## **TECHNICAL ISSUES**

The DOH notes that the definition for "extra hazardous employer" is vague.

MAS/svb:bm