

Assessment fact sheet for fiscal year 2012/2013

Why employers are assessed

The assessments are designed to fund the Department of Industrial Relations' vital programs, principally the Division of Workers' Compensation through audit and enforcement, claims adjudication and dispute resolution, disability evaluation and disbursement of benefits, and comprehensive research.

Since 2008, assessments have expanded to fund programs which level the playing field for California employers and provide a safe working environment for workers. The funding covers Cal/OSHA and the Division of Labor Standards Enforcement, which allows for the enforcement of labor law regulations, adjudication of claims and resolution of disputes.

History of assessment

1989: The Workers' Compensation Reform Act established the Workers' Compensation Administration Revolving Fund (WCARF) to help defray the costs of reform implementation. The fund was financed with 80 percent from the state's general fund and 20 percent from employer assessments.

2004: Senate Bill 899 amended WCARF to be financed 100 percent by employer assessments. Assessments were authorized by Labor Code sections 62.5 and 62.6, which require allocation of assessment types between insured and self-insured employers. Assessments covered include:

- Workers' Compensation Administrative Revolving Fund (WCARF),
- Uninsured Employers Benefit Trust Fund (UEBTF),
- Subsequent Injuries Benefit Trust Fund (SIBTF), and
- Workers' Compensation Fraud Account (FRAUD)

2008: Legislation established the Occupation Safety and Health Fund (OSHF), to fund a portion of the Cal-OSHA program.

2009: Legislation established the Labor Enforcement and Compliance Fund (LECF), to fund a portion of the Division of Labor Standards Enforcement programs.

2012: Senate Bill 863 makes wide-ranging changes, including increased benefits to injured workers and cost-saving efficiencies. The bill takes effect on Jan. 1, 2013, although not all of its provisions will be effective immediately.

What does the money pay for?

Court system: The Division of Workers' Compensation (DWC) maintains 24 district offices throughout the state to assist in the prompt and fair resolution of disputes that sometimes arise from workers' comp claims.

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Savings in workers' compensation costs: DWC can respond rapidly to changes that negatively impact employers, such as rising medical costs and levels the playing field by fighting fraud, while providing a safe environment for workers.

Education and outreach: The Department of Industrial Relations has partnered with industry groups, employer associations and community-based organizations to provide businesses consultative assistance, inform employers on their responsibilities and workers on their rights under state law.

Effective enforcement: Cal/OSHA and DLSE enforce state law to level the playing field for California employers and provide a safe working environment for employees. Enforcement activities also target the underground economy, which often puts employers and employees at risk due to unfair competition, failing to carry workers' compensation insurance as well as cheating the state out of tax revenues.

How employers are assessed

Labor Code 62.5 and the California Code of Regulations, Title 8, Chapter 8, Subchapter 2.06 govern how assessments are determined.

The Labor Code also requires allocation of the six assessment types, or funds, between insured and self-insured employers in proportion to payroll for the most recent year available.

Assessment letters are distributed annually in November to insurers, self-insured employers and legally uninsured employers.

The first installment is due on Jan. 1, 2013 with the balance due on April 1, 2013. Insurers then bill insured employers on their premium invoices. The invoices are required to indicate the separate amounts of each of the six fund assessments.

Costs are factored as follows:

- For insurers and insurer groups, costs are factored based upon written premiums reported to the WCIRB and are determined by methodology shown on the assessment letter and attachments. Assessments are billed in advance and then reconciled with actual collections from employers after two years.
- For self-insured employers, costs are factored based upon paid indemnity. No reconciliation is needed.

How the adjustments are calculated

In general, year-to-year changes in the assessment are a result of one or more of the following factors:

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- Changes to the budget appropriation in one or more DIR funds supported by the assessment
- Changes to ensure fund balances are sufficient for current/future cash flow needs
- Changes in the cost of benefit payments to injured workers
- Changes in the over/under credits due, pursuant to CCR 15606 and 15609

Differences between 2011-12 and 2012-13

- An increase in preparation for implementation of SB 863 reforms.
- An increase to ensure sufficient funding for the Uninsured Employers Benefit Trust Fund (UEBTF) and Subsequent Injury Benefit Trust Fund (SIBTF) payments to injured workers.
- The overall Workers' Compensation Fraud Account Assessment (FRAUD) increased to restore fund balances and adjust for overall credit increases.