

# **Redbook**

## **LSC Analysis of Executive Budget for the FY 2018-FY 2019 Biennium**

### **Bureau of Workers' Compensation Ohio Industrial Commission**

**(H.B. 27 and H.B. 28 of the 132nd General Assembly)**

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**ATTACHMENTS FOR EACH AGENCY:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

# The Workers' Compensation and Industrial Commission Budgets

## Bureau of Workers' Compensation

- Proposed funding of \$281.9 million in FY 2018 and \$284.6 million in FY 2019

## Ohio Industrial Commission

- Proposed funding of \$51.4 million in FY 2018 and \$52.2 million in FY 2019

## OVERVIEW

This Redbook provides an analysis of the Governor's FY 2018-FY 2019 funding proposals for the Bureau of Workers' Compensation (BWC) that are contained in H.B. 27 and the Ohio Industrial Commission (OIC) that are contained in H.B. 28. These two state agencies oversee, administer, and adjudicate claims within Ohio's workers' compensation system.

H.B. 27, the BWC budget proposed by the Governor, contains several changes that have a bearing on how claims are handled, such as revising substance abuse thresholds for rebuttable presumption, medical examinations for individuals seeking disability payments, and reimbursement of secondary payers. The BWC budget proposal also makes some revisions to the Public Employment Risk Reduction Program. H.B. 28, the proposed OIC budget bill, contains only appropriations.

For both of the agencies discussed in this Redbook, there is a detailed analysis of the executive budget recommendations, including proposed funding for each line item. Each section also includes the Catalog of Budget Line Items (COBLI) and LSC budget spreadsheet for each agency.

## Executive Funding Recommendations for FY 2018-FY 2019

Agency	FY 2017* Estimated Spending	FY 2018 Recommendation	FY 2019 Recommendation
Bureau of Workers' Compensation	\$285,279,775	\$281,916,264	\$284,618,764
Industrial Commission	\$47,917,841	\$51,427,815	\$52,167,300
<b>TOTAL</b>	<b>\$333,197,616</b>	<b>\$333,344,079</b>	<b>\$336,786,064</b>

\*The amounts listed for FY 2017 represent estimated expenditures.

As shown in Table 1, the total amount of funding recommended for BWC and OIC under the Governor's proposal is \$333.3 million in FY 2018 and nearly \$336.8 million in FY 2019. The proposed funding for BWC is \$281.9 million in FY 2018, accounting for 84.6% of the total in that fiscal year for both agencies. The proposed funding for OIC is \$51.4 million, accounting for 15.4% of workers' compensation system appropriations recommended for FY 2018. Proposed FY 2019 funding for BWC is \$284.6 million, a slightly less than 1% increase from FY 2018 appropriations. This makes up approximately 85.5% of the combined funding between the two budgets in FY 2019. The recommended funding for OIC is \$52.2 million in FY 2019, 1.4% higher than the amount proposed for FY 2018. OIC's recommended FY 2019 funding makes up approximately 15.5% of the combined funding for the workers' compensation system.

Unlike the main operating budget, the BWC and OIC budget bills contain no GRF appropriations. Rather, all funding needed to administer the state's workers' compensation system, except for a small amount of federal funding within BWC's budget, is derived from assessments collected alongside employer premiums. The bulk of medical and lost-time benefits owed to injured workers are paid from the State Insurance Fund, a custodial account that is not subject to appropriation by the General Assembly. Benefits are also paid from specific funds that serve injured workers in the coal and maritime industries, as well as a fund that provides cost-of-living increases to certain permanently and totally disabled injured workers.

# Bureau of Workers' Compensation

- Recommended funding of \$281.9 million in FY 2018 and \$284.6 million in FY 2019
- Net assets of approximately \$8.8 billion among all workers' compensation system funds at the close of FY 2016
- Just over \$1.6 billion in medical and lost-time benefits paid in FY 2016

## OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers except those that qualify for self-insurance. However, certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. BWC-issued policies cover approximately two-thirds of Ohio's workforce, including private, state, and local government employees. In FY 2016, approximately 243,000 employers maintained policies with the Bureau, while nearly 1,200 employers qualified for self-insurance. According to the Department of Administrative Services' monthly employee report, as of December 2016, BWC had 1,836 employees, of which 1,777 were full-time permanent staff.

An 11-member Board of Directors is responsible for the governance of BWC. The members of the Board are appointed by the Governor and represent entities that have an interest in workers' compensation in Ohio, such as employers, employees, labor unions, and so forth. There are five Board subcommittees devoted to oversight of BWC's actuarial, audit, governance, investment, and medical services and safety policies.

## Proposed FY 2018-FY 2019 Appropriations

### Appropriations by Fund Group

The executive budget recommends funding BWC at \$281.9 million in FY 2018 and \$284.6 million in FY 2019. Except for approximately \$2.0 million in federal funding, BWC operations are entirely supported by assessments paid by employers in conjunction with their premium payments. These assessments are deposited into the Workers' Compensation Fund (Fund 7023). A separate assessment is collected for BWC's Safety and Hygiene Division, and is calculated as a percentage of the employer's premium. These amounts are deposited into the Safety and Hygiene Fund (Fund 8260) for workplace safety programming. Employers in the coal and marine industries pay amounts that are deposited into specific funds to cover benefits to injured workers as

prescribed by federal law. Insurance premiums paid by state fund employers are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly. The executive's funding recommendations for BWC operations are shown in Table 2 below.

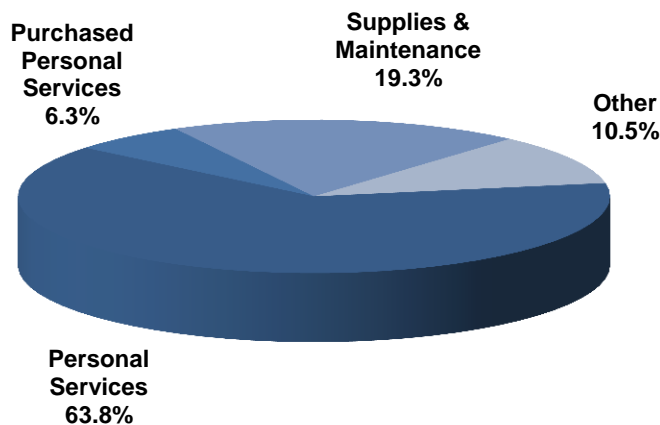
Fund Group	FY 2017*	FY 2018	% Change, FY 2017-FY 2018	FY 2019	% Change, FY 2018-FY 2019
Workers' Compensation	\$282,843,726	\$279,867,260	(1.5)%	\$282,569,760	1.0%
Federal Special Revenue	\$2,436,049	\$2,049,004	(15.9)%	\$2,049,004	0.0%
<b>TOTAL</b>	<b>\$285,279,775</b>	<b>\$281,916,264</b>	<b>(1.2)%</b>	<b>\$284,618,764</b>	<b>1.0%</b>

\*FY 2017 figures represent estimated expenditures.

### Appropriations by Expense Category

Chart 1 below shows the executive's proposed funding for BWC by expense category over the FY 2018-FY 2019 biennium. Of the \$565.9 million biennial total, personal services account for \$360.9 million (63.8%) of the budget recommended by the executive under H.B. 27. Supplies and maintenance account for \$109.3 million (19.3%) of the proposed funding. Purchased personal services make up \$35.8 million (6.3%) of BWC's recommended budget. Other expenses – such as equipment, subsidies, and transfers – together make up the remaining \$59.4 million (10.5%) of proposed funding.

**Chart 1: Executive Budget Recommendations by Expense Category for FY 2018-FY 2019 (\$565.9 million)**



## Workers' Compensation Claims Statistics

Table 3 below shows claim and compensation statistics for FY 2016 and the two prior fiscal years. The amount of benefits paid over this period decreased nearly 7%, from approximately \$1.7 billion in FY 2014 to just over \$1.6 billion in FY 2016. The number of new claims allowed also declined, from 97,572 in FY 2014 to 88,170 in FY 2016, a 9.6% drop. Overall, the total number of open claims (including medical and lost time) fell from 858,773 in FY 2014 to 752,312 in FY 2016, or almost 12.4%.

<b>Table 3. Workers' Compensation Claims Statistics, FY 2014-FY 2016</b>			
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Benefits Paid			
Medical	\$660,912,037	\$614,375,366	\$580,294,319
Lost Time	\$1,061,339,481	\$1,033,055,714	\$1,021,602,467
<b>TOTAL</b>	<b>\$1,722,251,518</b>	<b>\$1,647,431,080</b>	<b>\$1,601,896,786</b>
Number of New Allowed Claims			
<b>TOTAL</b>	<b>97,572</b>	<b>93,936</b>	<b>88,170</b>
Number of Open Claims			
<b>TOTAL</b>	<b>858,773</b>	<b>791,638</b>	<b>752,312</b>

## Highlights of the FY 2016-FY 2017 Biennium

### Prospective Billing and Base Rate Reductions

H.B. 493 of the 130th General Assembly required BWC, beginning in policy year 2015, to calculate and bill workers' compensation premiums on a prospective basis for all employers other than professional employer organizations (PEOs) and state employers. Until this date, payments of premiums were considered to be "retrospective" payments or "payments in arrears." This transition began on July 1, 2015 for private employers and January 1, 2016 for public employers. Because employers had premiums due for coverage they already received during their policy year, to facilitate the transition to a prospective billing system, and to avoid double billing of premiums to employers, BWC issued a \$1.2 billion credit in July 2015 to both private and public employers to pay the initial premium costs during the transition to prospective billing.

During the FY 2016-FY 2017 biennium, BWC issued several rates to both private and public employers. Specifically, BWC issued a base rate reduction of 8.6% for private employers that took effect in FY 2017. Public employers received a base rate reduction of 9.0% for policy year 2016. In total, these base rate reductions have resulted in a total reduction of approximately 28.2% in the base rate for private employers since FY 2011, and a total base rate reduction of 26.5% for public employers.



### **Safety Intervention Grant Program and Occupational Safety and Health Research**

In FY 2016, BWC issued 528 safety intervention grants totaling approximately \$14.6 million to 511 employers. BWC also conducted several education and training services in FY 2016. There were 18,278 web-based and onsite training completions by 12,416 students, representing 6,764 employers. BWC also offered 88 courses through 372 classes at 12 different locations.

The Ohio Occupational Safety and Health Research Program is a competitive research program with an emphasis on maximizing the impact of research efforts in the areas of occupational safety and health. BWC provides institutions up to \$250,000 per project to research these issues. In FY 2015, BWC approved nine projects totaling approximately \$2.0 million at six nonprofit higher education institutions. In FY 2016, BWC approved four projects totaling \$950,000 at two Ohio nonprofit higher education institutions. The duration of these research projects are limited to either 12 or 24 months. Of these projects, one was for 18 months, while the remaining were 24-month contracts. The research projects selected under the program address workers' safety and health issues in construction, service, manufacturing, healthcare, and agricultural industry sectors and address topics related to improving prevention of musculoskeletal disorders to back, knees, and shoulders caused by ergonomic risk factors.

### **Other States Coverage**

BWC began its Other States Coverage option for employers in FY 2016. This program allows Ohio employers to have the option to purchase, through BWC, workers' compensation coverage in other states. This option allows employers to protect against potential insurance gaps that exist in coverages of different states as well as from penalties and stop-work orders in other states that may result from coverage deficiencies. BWC has partnered with United States Insurance Services and Zurich American Insurance to provide this additional optional coverage. As of this writing, BWC has indicated that there have been 230 policies purchased under this program, worth \$1.15 million in premiums.

### **NIOSH Grants**

In FY 2016, BWC entered into an agreement with the National Institute for Occupational Safety and Health (NIOSH) to use BWC claim and policy data systems for surveillance and prevention of occupational injuries, illnesses, fatalities, and exposures to occupational hazards. This study will be used to develop rates of Workers' Compensation claims of injury per full-time equivalents (FTEs) by employer size and industry sector according to the North American Industry Classification System. BWC will receive an award of \$200,000 in each fiscal year, for three total years, to support this study.

## **BWC Performance Audit**

On January 10, 2017, the Ohio Auditor of State released its findings from the BWC performance audit. The performance audit focused on five subject areas with nine recommendations. However, only the recommendations pertaining to facility optimization appear to have a fiscal impact on BWC. The performance audit recommendations in this area primarily were to increase rent charges to other tenants at the William Green Building and optimize space for those floors used by BWC. Overall, the Auditor of State recommendations suggested that adopting the recommendations in this area could result in approximately \$2.6 million in annual savings and enhanced revenues.

### **S.B. 27 – Firefighter Cancer Presumption**

S.B. 27 of the 131st General Assembly establishes a presumption that a member of the Ohio Police and Fire Pension Fund who is a member of a fire department and who incurs and is disabled by the types of cancer specified in the bill incurred the cancer while performing the member's duties. In order for this presumption to apply, the member must be a career firefighter and have been assigned to hazardous duty for at least six years. The costs associated with the additional coverage provided to eligible career firefighters under the bill would be paid either from the State Insurance Fund for new workers' compensation claims or from the Ohio Police and Fire Pension Fund for new disability claims.

Under a previous version of this legislation that included a three-year hazardous duty timespan versus the six-year timespan under the enacted law, BWC analyzed the potential cost of providing the occupational disease coverage to eligible firefighters, both active and retired. Based on various actuarial assumptions, BWC estimated that the projected annual cost of providing this benefit to all qualifying career firefighters (active and retired) would result in approximately 170 annual claims at a cost of approximately \$22.8 million, shared between the State Insurance Fund and the Ohio Police and Fire Pension Fund. However, since the new law set the qualifying hazardous duty service time at six years, it would probably reduce the annual claims costs from what BWC initially estimated in its analysis using a three-year timeframe. Of BWC's share of the additional claims costs, the Bureau estimated that 80% of the costs detailed above would fall to the taxing districts covered by the State Insurance Fund, and 5% of the costs would fall to private employers covered by the State Insurance Fund. The remaining 15% of costs would fall to self-insured employers.

## **Changes under the Executive Proposal for FY 2018-FY 2019**

H.B. 27 contains various statutory changes that affect certain programs and administrative functions within BWC. Four of these changes are discussed below. A comprehensive list of the permanent law and uncodified law provisions, as well as a summary of their fiscal effects, can be reviewed in the LSC Comparison Document for H.B. 27 and H.B. 28.

### **Drug Tests – Rebuttable Presumption**

First, the bill revises the list of controlled substance levels to match those used by the U.S. Department of Transportation drug testing program under the rebuttable presumption standard for injury claims under current law. Rebuttable presumption refers to an injured worker's right to dispute an assumption that the use of drugs not prescribed by a doctor or alcohol was the main cause of an injury. If the new U.S. Department of Transportation drug limit thresholds are stricter than current BWC limits, one possible outcome is that more injury claims will be rejected.

### **Medical Exams – Permanent Partial Disability Claims**

Another provision of the bill requires the dismissal of permanent partial disability (PPD) claims if an injured employee fails to schedule and attend a medical examination. This provision would apply to all such pending claims, as well as these types of claims filed after the provision's effective date. If more PPD applications are rejected because of this requirement, then there will be a potential reduction in payments from the State Insurance Fund. PPD claims accounted for just over 5% of all benefits paid from the State Insurance Fund in FY 2016.

### **Payment to Medical Service Providers – Reimbursement of Secondary Payers**

Among administrative changes, H.B. 27 contains a provision that allows for the reimbursement of secondary payers for medical services to come into compliance with the federal Medicaid Secondary Payer Program. The provision allows the BWC Administrator, based on the assessment of an employee's claim file, to pay reimbursements up to \$500 to the Centers of Medicare and Medicaid Services, the Ohio Department of Medicaid, or a medical assistance provider.

### **Public Employment Risk Reduction Program Changes**

Finally, the bill includes firefighters, emergency medical technicians, and certain corrections officers as public employers for purposes of inclusion in the Public Employment Risk Reduction Program (PERRP). The bill makes other administrative changes to the operation of the program as well. Since this provision expands the number of participants in the PERRP, it could increase costs to the Safety and Hygiene Division, and consequently, the Safety and Hygiene Fund (Fund 8260).

## ANALYSIS OF EXECUTIVE PROPOSAL

### Introduction

This section provides an analysis of the Governor's recommended funding for the 12 line items in BWC's budget. The analysis groups BWC's line items into four major categories corresponding to agency operations. For each category a table is provided listing the recommended appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that are proposed by the Governor. The four categories used in this analysis are as follows:

1. Claims Management;
2. Administration;
3. Safety and Hygiene Programs; and
4. Special Benefit Funds.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds.

Categorization of BWC's Appropriation Line Items for Analysis of Executive Proposal			
Fund	ALI and Name		Category
<b>Dedicated Purpose Fund Group</b>			
7023	855407	Claims, Risk, and Medical Management	1: Claims Management
7023	855408	Fraud Prevention	1: Claims Management
7023	855409	Administrative Services	2: Administration
7023	855410	Attorney General Payments	2: Administration
8220	855606	Coal Workers' Fund	4: Special Benefit Funds
8230	855608	Marine Industry	4: Special Benefit Funds
8250	855605	Disabled Workers' Relief Fund	4: Special Benefit Funds
8260	855609	Safety and Hygiene Operating	3: Safety and Hygiene Programs
8260	855610	Safety Grants	3: Safety and Hygiene Programs
<b>Federal Special Revenue Fund Group</b>			
3490	855601	OSHA Enforcement	3: Safety and Hygiene Programs
3FW0	855614	BLS SOII Grant	3: Safety and Hygiene Programs
3FW0	855615	NIOSH Grant	3: Safety and Hygiene Programs

## Category 1: Claims Management

This grouping of line items funds BWC's claims management functions. These items also fund oversight and communications related to the Bureau's managed care system under which medical claims are handled. In addition, this category includes funding for BWC's claimant and medical provider fraud prevention and detection efforts.

Governor's Recommended Amounts for Claims Management				
Fund	ALI and Name		FY 2018	FY 2019
<b>Dedicated Purpose Fund Group</b>				
7023	855407	Claims, Risk, and Medical Management	\$115,598,050	\$118,300,550
7023	855408	Fraud Prevention	\$12,791,260	\$12,791,260
<b>Total Funding: Claims Management</b>			<b>\$128,389,310</b>	<b>\$131,091,810</b>

### Claims, Risk, and Medical Management (855407)

The executive recommendation for this line item is \$115.6 million in FY 2018, a slight increase from FY 2017 estimated spending of \$115.2 million, and rises to \$118.3 million in FY 2019, a 2.3% increase over FY 2018 appropriations. The various functions funded by the appropriation, as well as the recommended funding levels for each, are listed in the table below.

Function	FY 2018	% of Total	FY 2019	% of Total
Field Operations	\$73,166,160	63.3%	\$75,033,902	63.4%
Injury Management Services	\$18,548,637	16.1%	\$18,710,790	15.8%
Employer Services	\$14,595,038	12.6%	\$15,009,836	12.7%
Customer Contact Center	\$4,664,638	4.0%	\$4,828,408	4.1%
Self-Insured Services	\$2,454,193	2.1%	\$2,489,377	2.1%
Safety Violations Investigations	\$977,098	0.9%	\$1,000,203	0.8%
Ombudsperson	\$678,739	0.6%	\$699,333	0.6%
Special Investigations*	\$513,547	0.4%	\$528,701	0.5%
<b>TOTAL</b>	<b>\$115,598,050</b>	<b>100.0%</b>	<b>\$118,300,550</b>	<b>100.0%</b>

\*Additional funding for the Special Investigations unit is under line item 855408, Fraud Prevention.

### Field Operations

Slightly more than 63.3% of the recommended funding for this line item in each fiscal year – \$73.2 million in FY 2018 and \$75.0 million in FY 2019 – is for Field Operations. Field Operations is responsible for providing claims services to injured workers and employers. In addition to providing initial determinations of claims, Field Operations handles additional allowances in medical-only claims and processes requests for claims to receive hearings by the Ohio Industrial Commission. During

FY 2016, Field Operations managed and determined more than 92,300 injured worker claims. Field Operations has an estimated 701 FTEs.

### **Injury Management Services**

The executive budget provides approximately \$18.5 million in FY 2018 and \$18.7 million in FY 2019 for Injury Management Services funded under this line item. This area oversees the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, including managed care organizations (MCOs) currently certified to manage injury claims. The program serves roughly 250,000 individuals annually. Medical benefits paid by BWC in FY 2016 totaled \$580.3 million. Injury Management Services has approximately 110 FTEs.

### **Employer Services**

The proposed appropriations for Employer Services are approximately \$14.6 million in FY 2018 and \$15.0 million in FY 2019. This area is responsible for developing and implementing workers' compensation insurance products and providing underwriting and technical support for employers, including Destination: Excellence, a discount rating plan that allows employers to choose among several programs intended to promote workplace wellness, return to work strategies, and accident prevention. Employer Services also oversees the BWC group rating discount program for private and public employers. In FY 2016, there were just under 244,000 active employers in Ohio, including private, public, and self-insured entities. Employer Services has approximately 140 employees.

### **Customer Contact Center**

Proposed funding for the Customer Contact Center is approximately \$4.6 million in FY 2018 and \$4.8 million in FY 2019. The Center provides information regarding BWC's processes, law, policies, and procedures to employers, injured workers, health care providers, and MCOs. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, and so forth. In FY 2016, the Customer Contact Center fielded approximately 380,000 customer inquiries. The Customer Contact Center has nearly 53 employees.

### **Self-Insured Services**

The recommendation for Self-Insured Services is approximately \$2.5 million in each fiscal year of the FY 2018-FY 2019 biennium. Self-Insured Services is responsible for auditing self-insuring employers for compliance with the Workers' Compensation Law and BWC administrative rules. Additionally, this section processes assessment invoices for self-insured employers and assumes responsibility for the administrative process of claims in cases of default or bankruptcy of self-insured employers. Just fewer

than 1,200 employers self-insured against workers' compensation liability in FY 2016. About 26 BWC employees are assigned to this area.

### **Safety Violations and Ombudsperson**

Funding under the line item supports two other areas: the Safety Violations Program and BWC's Ombudsperson's Office. Together, these functions account for about \$1.7 million, or about 1.5% of the recommended funding in each fiscal year for the upcoming biennium under line item 855407. The Safety Violations Program prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirements (VSSRs) and actions required to correct any violations. In FY 2016, the program conducted about 320 such investigations. The appropriation also funds the BWC Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers as they relate to processing workers' compensation claims. In calendar year 2015, the Ombudsperson's Office handled a total of 10,823 contacts with customers, of which 889 were complaints and 9,934 were general inquiries.

### **Fraud Prevention (855408)**

The executive recommendation for this line item is \$12.8 million for both FY 2018 and FY 2019, an increase of approximately 2.1% over estimated FY 2017 spending of just over \$12.5 million. This line item supports the Special Investigations Department responsible for detecting, investigating, and deterring fraud committed by employers, injured workers, or medical service providers. The Special Investigations staff works closely with local and state prosecutors, including the Ohio Attorney General. The line item also provides for security services at BWC's 15 offices throughout the state.

There are three regional claimant fraud investigative units working out of service offices across the state. There are also separate health care provider and employer fraud units, as well as a unit that investigates safety violations. Finally, the intelligence and digital forensics units operate from BWC's central office in Columbus. According to information provided in BWC's Annual Report for FY 2016, drug cases, working while improperly receiving benefits, and complaints against employers continue to be the three most investigated types of complaints. In FY 2016, 1,503 fraud cases were closed. Of those closed cases, 668 (44.4%) were classified as "closed founded," which means the original allegation of the case was proven. Ultimately, of those 668 cases, 198 (29.6%) of them were referred to the Attorney General for prosecution, with 119 resulting indictments and 127 convictions as of this writing. BWC estimates the average "closed founded" case identified \$84,687 in savings for the workers' compensation system in FY 2016.

## Category 2: Administration

Funding included in this category covers the administrative functions related to overseeing sound actuarial and investment strategies to ensure the integrity of the State Insurance Fund and other funds that support injured workers. These appropriations chiefly cover six areas: finance, actuarial, investments, human resources, legal, and infrastructure and technology. This category also includes appropriations for payments that BWC makes to cover the operating expenses of the Workers' Compensation Section within the Attorney General's Office.

Governor's Recommended Amounts for Administration				
Fund	ALI and Name		FY 2018	FY 2019
<b>Dedicated Purpose Fund Group</b>				
7023	855409	Administrative Services	\$109,472,100	\$109,472,100
7023	855410	Attorney General Payments	\$4,621,850	\$4,621,850
<b>Total Funding: Administration</b>			<b>\$114,093,950</b>	<b>\$114,093,950</b>

### Administrative Services (855409)

The executive recommendation for this line item is \$109.5 million in both FY 2018 and FY 2019, a 3.1% decrease from estimated FY 2017 spending of \$113.0 million in this area. Overall, this line item accounts for approximately 39% of BWC's total recommended budget in each fiscal year.

General administrative duties within the Bureau are broken down into seven separate divisions: (1) Fiscal and Planning, (2) Actuarial, (3) Investments, (4) Human Resources, (5) Legal, (6) Infrastructure and Technology, and (7) Internal Audit. The Fiscal and Planning Division oversees fiscal management, general accounting, payroll, and other fiscal functions for BWC. It is also responsible for receipt and distribution of agency funds including benefits payable to injured workers. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves and assists Employer Services in the creation of ratings plans. The Investments Division is responsible for investing the assets of the State Insurance Fund according to investment policy established by BWC's Board of Directors. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of equal employment opportunity, employee and labor relations, payroll and benefits, and quality services. The Legal Division provides legal advice to BWC on claims procedures and policy, and represents the State Insurance Fund in administrative appeals. The Infrastructure and Technology Division is responsible for all computer equipment and software maintenance. Internal Audit evaluates the effectiveness of BWC's internal controls, validates agency compliance with policies, applicable laws, and regulations, and evaluates business processes to ensure that risks are mitigated and agency



objectives can be met. There are approximately 430 employees funded under this appropriation item.

**Attorney General Payments (855410)**

The executive recommendation for this line item is \$4.6 million in both fiscal years, which equals FY 2017 estimated spending. This line item funds half of the cost related to the legal services of the Attorney General's Workers' Compensation Section. The remaining half is paid by the Ohio Industrial Commission. The Workers' Compensation Section provides legal counsel to BWC and OIC. Most cases are appeals of workers' compensation claims filed in county common pleas courts. In addition, temporary law included within the executive budget requires that up to \$828,200 be used specifically to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office. In contrast to other costs split with OIC, the Bureau pays all costs associated with the Fraud Unit.

### Category 3: Safety and Hygiene Programs

The line items within this area provide funding for BWC programs geared toward ensuring that employers meet applicable safety standards and laws. The funding is also used to provide safety training to employers. The bulk of operating revenue for the Division of Safety and Hygiene, which oversees the various programs within this category of appropriations, comes from an assessment charged to employers that is calculated as a percentage of paid premiums. Those amounts are 1.0% of paid premiums for private employers and .75% of paid premiums for public employers. The Division also operates using a small portion of federal funding.

<b>Governor's Recommended Amounts for Safety and Hygiene Programs</b>				
<b>Fund</b>		<b>ALI and Name</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Dedicated Purpose Fund Group</b>				
8260	855609	Safety and Hygiene Operating	\$22,000,000	\$22,000,000
8260	855610	Safety Grants	\$15,000,000	\$15,000,000
<b>Workers' Compensation Fund Group Subtotal</b>			<b>\$37,000,000</b>	<b>\$37,000,000</b>
<b>Federal Special Revenue Fund Group</b>				
3490	855601	OSHA Enforcement	\$1,653,900	\$1,653,900
3FW0	855614	BLS SOII Grant	\$195,104	\$195,104
3FW0	855615	NIOSH Grant	\$200,000	\$200,000
<b>Federal Special Revenue Fund Group Subtotal</b>			<b>\$2,049,004</b>	<b>\$2,049,004</b>
<b>Total Funding: Safety and Hygiene Programs</b>			<b>\$39,049,004</b>	<b>\$39,049,004</b>

#### Safety and Hygiene Operating (855609)

Both of these line items, one state-supported and the other federally supported, fund the operations of the Division of Safety and Hygiene. As concerns the state funding, the executive recommendation for appropriation item 855609, Safety and Hygiene Operating, is \$22.0 million in each year of the FY 2018-FY 2019 biennium, slightly below estimated FY 2017 spending in this area.

A portion of the Division of Safety and Hygiene's budget is funded by the federal government under an agreement with the Occupational Safety and Health Administration. The executive recommendation for line item 855601, OSHA Enforcement, is \$1.6 million in each fiscal year, a decrease of 20.4% from estimated FY 2017 spending of nearly \$2.1 million for this purpose.

The Division is responsible for ensuring that employers offer safe work environments through the investigation of industrial accidents and occupational disease and through programs designed to prevent these problems. The Division's responsibilities include: (1) making targeted visits to employers with high frequency of accidents to educate them in risk and safety management, (2) providing safety and health consultative services to Ohio's public employers, (3) administering the Safety

Grants Program (see line item 855610, Safety Grants, below) that assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries, and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace.

During FY 2016, the Safety and Hygiene Division made 15,418 visits to Ohio workplaces to provide consulting services in industrial hygiene, industrial and construction safety, and ergonomics. The Division also provided 88 courses through 372 classes at 12 different locations. BWC's learning management system offered 18,278 web-based and onsite training completions by 12,416 students, representing 6,764 employers.

In regard to public employers, the Public Employment Risk Reduction Program (PERRP) ensures that public employers in Ohio are operating safe workplaces pursuant to state and federal law. Requirements include reporting hospitalizations and deaths from serious workplace injuries to BWC. PERRP also has the authority to investigate complaints about unsafe work conditions and issue citations when needed. In addition to this enforcement element, the Safety and Hygiene Division also offers public employers consultation and training designed to reduce workplace hazards and eliminate unsafe conditions.

#### **Proposed H.B. 27 changes affecting PERRP**

H.B. 27 makes permanent law changes that affect PERRP. One of these changes is defining firefighters, emergency medical technicians, and certain corrections officers as public employees for purposes of inclusion in PERRP. It also eliminates the ability of a public employer to apply to BWC for an exemption from participation in the program. Another change is having BWC adopt rules concerning an effective safety partnership agreement that promotes voluntary public employer compliance. Concerning site inspections, the bill specifies that BWC be authorized to make "scheduled" inspections in accordance with rules. This would be in addition to the current process where these inspections be made only pursuant to complaint or a public employees refusal to work based on unsafe working conditions. Overall, while the bill does not impose any new duties on BWC, it does expand the number of participants in PERRP, which could increase costs to the Safety and Hygiene Division. The costs of the program, however, are paid from assessments on public employer premiums that are deposited into the Safety and Hygiene Fund (Fund 8260).

#### **OSHA Enforcement (855601)**

A portion of the Division of Safety and Hygiene's budget is funded by the federal government under an agreement with the Occupational Safety and Health Administration. The executive recommendation for line item 855601, OSHA Enforcement, is \$1.6 million in each fiscal year, a decrease of 20.4% from estimated

FY 2017 spending of nearly \$2.1 million for this purpose. This represents the federal share of money to support the OSHA On-Site Consultation Program, focusing on small, high-hazard, private-sector employers. Services are provided to employers with fewer than 250 employees at fixed sites and no more than 500 business-wide. The types of services offered to qualifying employers include safety and health surveys, air and noise monitoring, and safety and health consultations. These services are provided by BWC safety and health consultants and industrial hygienists at no charge to the employer. Ninety percent of the program's operating costs are paid for by federal grant money. The state match is estimated to be slightly more than \$242,000 in each year and is covered under the appropriations for line item 855609, Safety and Hygiene Operating.

### **Safety Grants and BLS SOII Grant (855610 and 855614)**

Combined, the executive recommendation for these line items is nearly \$15.2 million in both FY 2018 and FY 2019. These appropriation items support the Safety Grants Program, which includes BWC's Safety Intervention Grant Program, the Drug-Free Safety Program Grant, and the Workplace Wellness Grant Program. The Safety Grants Program offers private and public State Insurance Fund employers funding for training, wellness programs, and equipment intended to reduce workplace injuries and illnesses. A portion of the funding for the program, \$195,104 in each fiscal year, is provided through a federal Bureau of Labor Statistics Survey on Occupational Injury and Illness (SOII) Grant. In FY 2016, BWC awarded 528 grants totaling almost \$14.6 million to 511 employers.

### **NIOSH Grant (855615)**

This line item was established by the Controlling Board on September 7, 2016 as a result of a cooperative agreement with and an award of money from the federal government. Specifically, BWC entered into an agreement with the National Institute for Occupational Safety and Health (NIOSH) to use BWC claim and policy data systems for surveillance and prevention of occupational injuries, illnesses, fatalities, and exposures to occupational hazards. This study will be used to develop rates of Workers' Compensation claims of injury per FTEs by employer size and industry sector according to the North American Industry Classification System. BWC will receive an award of \$200,000 in each fiscal year, for three total years, to conduct this study.

## Category 4: Special Benefit Funds

Appropriations in this category are used to provide benefits to employers with additional workers' compensation coverage required by federal law, particularly coal workers and maritime workers. In addition, the Disabled Workers Relief Fund provides cost-of-living supplements for permanently and totally disabled workers.

Governor's Recommended Amounts for Special Benefit Funds				
Fund	ALI and Name		FY 2018	FY 2019
<b>Dedicated Purpose Fund Group</b>				
8220	855606	Coal Workers' Fund	\$154,000	\$154,000
8230	855608	Marine Industry	\$57,000	\$57,000
8250	855605	Disabled Workers Relief Fund	\$173,000	\$173,000
<b>Total Funding: Special Benefit Funds</b>			<b>\$384,000</b>	<b>\$384,000</b>

### Coal Workers' Fund (855606)

The executive recommendation for this line item is \$154,000 for FY 2018 and FY 2019. This line item is used to pay operating costs associated with the Coal Workers' Pneumoconiosis Fund (Fund 8220), which provides benefits for workers who are disabled due to pneumoconiosis, or "black lung" disease, as dictated by the federal Coal Mine Health and Safety Act of 1969. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, paid by coal operators who elect to insure payment of benefits required by the federal Act. Total revenues to the fund for FY 2016 were \$129,302; disbursements from the fund were \$128,544.

### Marine Industry (855608)

The executive recommendation for this line item is \$57,000 for both FY 2018 and FY 2019. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. During FY 2016, total revenues to the fund were \$45,840; disbursements from the fund were \$45,014.

### Disabled Workers Relief Fund (855605)

The executive recommendation for this line item is \$173,000 in both FY 2018 and FY 2019. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF). DWRF provides supplemental cost-of-living benefits to permanently and totally disabled workers. During FY 2016, total revenues to the fund were \$75,678; disbursements from the fund were \$83,195.

# Ohio Industrial Commission

- Proposed funding of \$51.4 million in FY 2018 and \$52.2 million in FY 2019
- 10.4% reduction in staff since FY 2012
- OIC handles roughly 150,000 claim appeals annually

## OVERVIEW

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over the extent of medical services provided or lost-time (otherwise known as indemnity) benefits. OIC operations are funded through an administrative assessment that is added to employers' workers' compensation premiums. The Commission is led by a panel of three commissioners, all of whom are appointed by the Governor. Each commissioner must have at least six years of experience in workers' compensation and at least one member must be licensed to practice law in Ohio. One member represents employees, one represents employers, and one represents the public. Each commissioner serves a six-year term. As of December 2016, OIC employed a staff of 370.

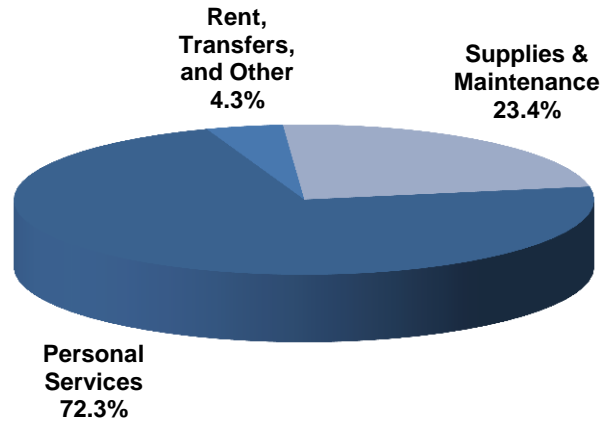
## Proposed FY 2018-FY 2019 Appropriations

The executive budget recommends OIC appropriations of \$51.4 million in FY 2018, a 7.3% increase over estimated FY 2017 spending of \$47.9 million. Recommended funding for FY 2019 is just over \$52.2 million, a 1.4% increase compared to the amount recommended for FY 2018. All OIC appropriations for FY 2018 and FY 2019 are funded by the Industrial Commission Operating Fund (Fund 5W30). As mentioned above, Fund 5W30 consists of revenues derived from administrative cost assessments collected by BWC and transmitted to OIC.

### Appropriations by Expense Category

As Chart 1 below indicates, approximately \$74.9 million (72.3%) of OIC's appropriations for the FY 2018-FY 2019 biennium are slated for personnel costs. The second greatest planned expense is supplies and maintenance, at approximately \$24.2 million (23.4%) of recommended appropriations. Other costs – including transfers, equipment, and purchased services – make up approximately \$4.5 million (4.3%).

**Chart 2: Executive Budget Recommendations  
by Expense Category for FY 2018-FY 2019  
(\$103.6 million)**



### **Staffing**

Overall, OIC staffing levels have decreased by 10.4% since FY 2012, from 413 in that fiscal year to 370 in December 2016, mostly through a combination of attrition and early retirement incentives. OIC has indicated that the agency's total employee count has a potential retirement rate of 39.4% over the upcoming biennium. However, OIC noted a staff turnover rate of nearly 3.3% during FY 2016. Current funding levels allow for OIC to maintain a staffing level of approximately 380 employees, a transition strategy that will allow the Commission to bring on additional employees before those eligible to retire leave state service.

## ANALYSIS OF EXECUTIVE PROPOSAL

### OIC Claims Adjudication

The OIC budget consists of three line items, all of which are supported by administrative assessments paid by Ohio employers that are applied alongside workers' compensation premium payments. Assessments are collected by BWC and transferred upon receipt to the Industrial Commission Operating Fund (Fund 5W30).

Governor's Recommended Amounts for OIC Claims Adjudication				
Fund	ALI and Name		FY 2018	FY 2019
<b>Dedicated Purpose Fund Group</b>				
5W30	845321	Operating Expenses	\$46,484,165	\$47,223,650
5W30	845402	Rent – William Green Building	\$1,150,000	\$1,150,000
5W30	845410	Attorney General Payments	\$3,793,650	\$3,793,650
<b>Total Funding: OIC Claims Adjudication</b>			<b>\$51,427,815</b>	<b>\$52,167,300</b>

#### Operating Expenses (845321)

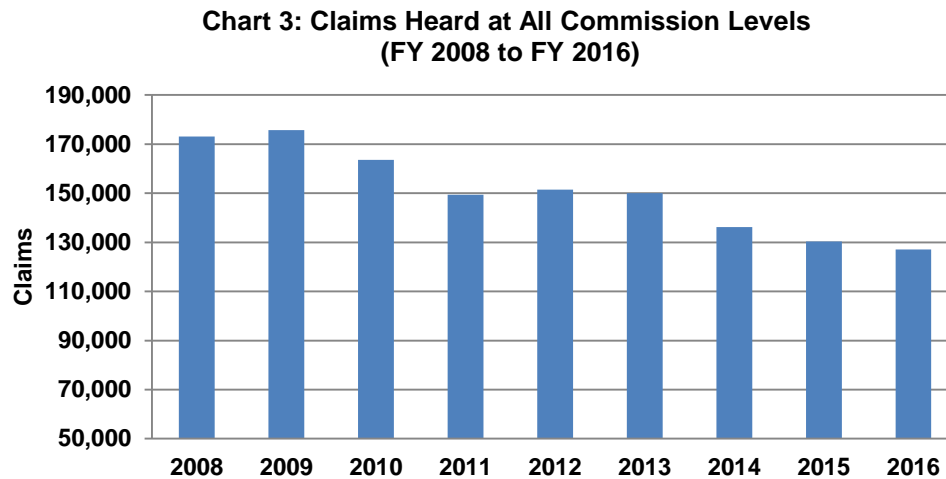
The Governor's proposed funding for this line item is \$46.5 million for FY 2018, about 8.0% over estimated FY 2017 spending of \$43.0 million. The recommendation for FY 2019 is \$47.2 million, a 1.6% increase over the amount recommended for FY 2018. Overall, these appropriations account for 90.5% of OIC's total recommended funding for the biennium. The entirety of this appropriation supports the claims adjudication function within the state's workers' compensation system. Disputed claims typically involve the extent of medical services provided or lost-time benefits. The Commission's operations are organized geographically within five regions: Akron, Cincinnati, Cleveland, Columbus, and Toledo. Within these regions, there are district offices at 12 locations.

#### Hearings

Disputed claims can go through three levels of hearings. Injured workers or employers make an initial appeal to district hearing officers (DHOs). Second-level appeals are conducted by staff hearing officers (SHOs). Hearings at these levels are conducted at the 12 OIC offices (seven district and five regional) located throughout the state. Third-level appeals are conducted in Columbus by OIC's three-member panel of commissioners. Adjudication of third-level appeals is discretionary, based on criteria set forth in an OIC resolution. Typically, the panel hears unresolved cases that involve an issue of policy or special circumstances that the Commission members believe warrant further consideration. Further appeals are made in the court system.



Of the total hearing volume across all levels, only 98 were heard at the Commission level. Chart 3 below shows the number of hearings conducted by OIC from FY 2008 to FY 2016. During this period, the number of annual claims has decreased by about 26.5%, from approximately 175,700 in FY 2009 to slightly more than 127,100 in FY 2016.



Although there are some exceptions, OIC is required by statute to adjudicate all first- and second-level appeals (i.e., at District Hearing Officer and Staff Hearing Officer levels) within 45 days of the filing of an appeal and issue an order within seven days of holding a hearing. These hearings take place at five regional and seven district offices across the state. Of those appeals where these requirements applied in FY 2016, approximately 89.8% were processed within the required time limits. The average time to process a claim and issue an order was roughly 36 days. As mentioned previously, injured workers that disagree with orders issued by OIC are able to present their claims in a court of law. However, many of these cases are resolved out of court. In these situations, a claimant typically initiates court proceedings and then settles before a judge can issue an official opinion.

#### **Hearings by Employer Type**

OIC conducted hearings on claims involving 32,777 various private and public-sector employers in FY 2016. Employers with State Insurance Fund coverage accounted for 69,159 (54.5%) of the hearings, while hearings involving claims related to self-insured employers made up 35,521 (28.0%) of all hearings held. The remaining 22,200 (17.5%) of hearings involved local and state public employers.

**Rent – William Green Building (845402)**

This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. The executive recommendation for this line item is nearly \$1.2 million in FY 2018, approximately 7.3% over the almost \$1.1 million in anticipated spending for rent and maintenance in FY 2017. The amount recommended for these costs in FY 2019 is also \$1.2 million. These cost increases are generally a product of increases in utility and other costs and not increases in rent rates charged by BWC.

**Attorney General Payments (845410)**

The recommended funding for this line item is \$3.8 million in both FY 2018 and FY 2019, equivalent to the amount estimated to be spent for this purpose in FY 2017. This line item provides OIC's portion of the costs related to the legal services of the Attorney General's Workers' Compensation Section. The remaining portion of the cost is paid by BWC. The Attorney General provides investigative and other legal services related to workers' compensation cases.

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## Bureau of Workers' Compensation

### Dedicated Purpose Fund Group

#### 7023 855401 William Green Lease Payments to OBA

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$15,916,888	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers

**Legal Basis:** Discontinued line item

**Purpose:** This line item was used to make lease payments to the Treasurer of State for BWC's headquarters in Columbus. These payments covered the debt service on lease rental bonds used to construct the building. The debt on the William Green building was retired in FY 2014. The building is now an asset belonging to the Workers' Compensation Fund (Fund 7023).

#### 7023 855407 Claims, Risk and Medical Management

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$124,227,007	\$111,922,343	\$109,998,334	\$115,202,340	<b>\$115,598,050</b>	<b>\$118,300,550</b>
	-9.9%	-1.7%	4.7%	<b>0.3%</b>	<b>2.3%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** The line item funds personnel, maintenance, and equipment costs associated with BWC's claims, risk, and medical management programs, including Injury Management, Employer Management, and Customer Service operations. The line item also supports BWC's Safety Violations program, which prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirement (VSSRs) and actions required to correct any violations, as well as BWC's Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers concerning the processing of claims.

## Bureau of Workers' Compensation

### 7023 855408 Fraud Prevention

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$11,316,524	\$11,612,085	\$11,902,835	\$12,534,382	<b>\$12,791,260</b>	<b>\$12,791,260</b>
	2.6%	2.5%	5.3%	<b>2.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds personnel, maintenance, and equipment costs for investigating workers' compensation fraud. Fraud investigation is geared toward detecting and preventing fraudulent claims on the part of claimants, employers, and health care providers.

### 7023 855409 Administrative Services

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$90,253,136	\$98,200,102	\$102,818,206	\$113,014,688	<b>\$109,472,100</b>	<b>\$109,472,100</b>
	8.8%	4.7%	9.9%	<b>-3.1%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds personnel, maintenance, and equipment costs associated with the oversight of general administrative functions at BWC, including finance, actuarial, investments, human resources, legal, and infrastructure and technology. For the FY 2018-FY 2019 biennium, H.B. 27 earmarks \$425,000 in each fiscal year to be used to pay the Bureau's share of the cost that the Inspector General incurs for the activities of the Deputy Inspector General for the Bureau of Workers' Compensation and the Industrial Commission. These amounts are deposited into the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund (Fund 5FT0) under the Inspector General's budget.

## Bureau of Workers' Compensation

### 7023 855410 Attorney General Payments

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$4,549,416	\$4,576,405	\$4,578,464	\$4,621,850	<b>\$4,621,850</b>	<b>\$4,621,850</b>
	0.6%	0.0%	0.9%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds 50% of the costs related to the legal services of the Attorney General's Workers' Compensation Section. This includes expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission pays the remaining portion of these expenses. Both agencies make alternating quarterly payments during the fiscal year. For the FY 2018-FY 2019 biennium, the budget earmarks \$828,200 in each fiscal year for the Attorney General's workers' compensation fraud unit.

### 8220 855606 Coal Workers' Fund

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$134,724	\$138,952	\$128,544	\$154,171	<b>\$154,000</b>	<b>\$154,000</b>
	3.1%	-7.5%	19.9%	<b>-0.1%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Additional assessments paid by coal industry employers as required under Title IV of the Federal Coal Mine Health and Safety Act of 1969

**Legal Basis:** ORC 4131.03; Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds the administrative costs that BWC incurs for handling claims under the Coal Workers' Pneumoconiosis Fund, which is in the custody of the Treasurer of State. The fund provides workers' compensation benefits to employees in the coal industry as directed by the Federal Coal Mine Health and Safety Act of 1969.

## Bureau of Workers' Compensation

### 8230 855608 Marine Industry

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$41,060	\$43,684	\$45,014	\$57,072	<b>\$57,000</b>	<b>\$57,000</b>
	6.4%	3.0%	26.8%	<b>-0.1%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Additional assessments charged to marine industry employers under requirements of the Longshoremen's and Harbor Workers' Compensation Act Amendments of 1972

**Legal Basis:** ORC 4131.13; Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds the administrative costs of the Marine Industry Fund, which is in the custody of the Treasurer of State. The fund provides benefits as prescribed by the Longshoremen's and Harbor Workers' Compensation Act, as amended in 1972.

### 8250 855605 Disabled Workers Relief Fund

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$162,715	\$135,429	\$83,195	\$173,704	<b>\$173,000</b>	<b>\$173,000</b>
	-16.8%	-38.6%	108.8%	<b>-0.4%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Additional assessments paid by employers calculated at \$0.10 per \$100 of payroll and 0.01% of the basic premium rate

**Legal Basis:** ORC 4123.412; Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item is used to pay payroll and operating expenses of the Disabled Workers' Relief Fund (DWRF), as well as costs related to providing the supplemental benefits provided under the fund to eligible recipients. The fund is in the custody of the Treasurer of State. DWRF benefits are cost-of-living adjustments granted to permanently and totally disabled workers. H.B. 493 of the 130th G.A. eliminated the minimum assessments collected for "DWRF I" claims, or those related to injuries before January 1, 1987, since these costs have been falling.

## Bureau of Workers' Compensation

### 8260 855609 Safety and Hygiene Operating

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$17,219,944	\$19,591,657	\$19,463,721	\$22,085,519	<b>\$22,000,000</b>	<b>\$22,000,000</b>
	13.8%	-0.7%	13.5%	<b>-0.4%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments charged to employers calculated as a percentage of paid workers' compensation premiums (1.0% for private employers and 0.75% for all public employer taxing districts and state agency employers) that are transferred from the State Insurance Fund

**Legal Basis:** ORC 4121.37; Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item provides all operating funds for the Division of Safety and Hygiene. The Division's responsibilities include making workplace inspections and providing safety training to employers. The amounts appropriated in each fiscal year equal the annual cash transfers that the Treasurer of State is to make from the State Insurance Fund to the Safety and Hygiene Fund (Fund 8260) under uncodified law.

### 8260 855610 Safety Grants

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$14,212,744	\$15,727,859	\$14,999,277	\$15,000,000	<b>\$15,000,000</b>	<b>\$15,000,000</b>
	10.7%	-4.6%	0.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments charged to employers calculated as a percentage of paid workers' compensation premiums (1.0% for private employers and 0.75% for all public employer taxing districts and state agency employers) that are transferred from the State Insurance Fund

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item funds the Division of Safety and Hygiene's Safety Intervention Grant Program. These grants are available to State Insurance Fund employers (private and public) that wish to purchase equipment that substantially reduces or eliminates injuries and illnesses associated with tasks or operations particular to their industry. Under the grant program, every dollar contributed by the employer is matched by \$3 from BWC, up to a maximum BWC contribution of \$40,000 toward the equipment purchase.

## Bureau of Workers' Compensation

### Federal Fund Group

#### 3490 855601 OSHA Enforcement

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$1,638,822	\$1,392,284	\$1,547,792	\$2,078,007	<b>\$1,653,900</b>	<b>\$1,653,900</b>
	-15.0%	11.2%	34.3%	<b>-20.4%</b>	<b>0.0%</b>

**Source:** Federal Fund Group: Cooperative agreement with the Occupational Safety and Health Administration under CFDA 17.504, OSHA Consultation Agreements

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A.

**Purpose:** This line item is used to support OSHA's on-site consultation program, which provides small private employers with services relating to workplace safety and health. Services are provided to employers with fewer than 250 employees at fixed sites and with no more than 500 employees corporate-wide. Under the program, employers can learn about potential hazards at their workplaces, improve their safety and health management systems, and may qualify for an exemption from routine OSHA inspections. State matching funds for the program are provided by line item 855609, Safety and Hygiene Operating.

#### 3FW0 855614 BLS SOII Grant

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$91,755	\$96,855	\$103,752	\$189,543	<b>\$195,104</b>	<b>\$195,104</b>
	5.6%	7.1%	82.7%	<b>2.9%</b>	<b>0.0%</b>

**Source:** Federal Fund Group: CFDA 17.005: U.S. Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses Grant

**Legal Basis:** Section 3 of H.B. 52 of the 131st G.A. (originally established by the Controlling Board in August 2012)

**Purpose:** This line item is used to fund BWC's participation in the U.S. Bureau of Labor Statistics (BLS) Survey of Occupational Injuries and Illnesses (SOII).



## Bureau of Workers' Compensation

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### 3FW0 855615 NIOSH Grant

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$0	\$0	\$0	\$168,499	<b>\$200,000</b>	<b>\$200,000</b>
	N/A	N/A	N/A	<b>18.7%</b>	<b>0.0%</b>

**Source:** Federal Fund Group: CFDA 93.262: U.S. National Institute for Occupational Safety and Health Grants

**Legal Basis:** As proposed in Section 201.10 of H.B. 27 of the 132nd G.A.; (originally established by Controlling Board in September 2016)

**Purpose:** This line item is used to receive grant receipts from the National Institute for Occupational Safety and Health (NIOSH) to use BWC claim and policy systems for surveillance and prevention of occupational injuries, illnesses, fatalities and exposures to occupational hazards. This data will be used to develop rates of claim of injury per FTE by employer size and injury sector.

# FY 2018 - FY 2019 Introduced Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			Estimate	Introduced	FY 2017 to FY 2018	Introduced	FY 2018 to FY 2019	
			FY 2016	FY 2017	FY 2018	% Change	FY 2019	% Change
<b>Report For BWC Budget</b>			<b>Version: As Introduced</b>					
<b>BWC Bureau of Workers' Compensation</b>								
7023	855407	Claims, Risk and Medical Management	\$ 109,998,334	\$ 115,202,340	\$ 115,598,050	0.34%	\$ 118,300,550	2.34%
7023	855408	Fraud Prevention	\$ 11,902,835	\$ 12,534,382	\$ 12,791,260	2.05%	\$ 12,791,260	0.00%
7023	855409	Administrative Services	\$ 102,818,206	\$ 113,014,688	\$ 109,472,100	-3.13%	\$ 109,472,100	0.00%
7023	855410	Attorney General Payments	\$ 4,578,464	\$ 4,621,850	\$ 4,621,850	0.00%	\$ 4,621,850	0.00%
8220	855606	Coal Workers' Fund	\$ 128,544	\$ 154,171	\$ 154,000	-0.11%	\$ 154,000	0.00%
8230	855608	Marine Industry	\$ 45,014	\$ 57,072	\$ 57,000	-0.13%	\$ 57,000	0.00%
8250	855605	Disabled Workers Relief Fund	\$ 83,195	\$ 173,704	\$ 173,000	-0.41%	\$ 173,000	0.00%
8260	855609	Safety and Hygiene Operating	\$ 19,463,721	\$ 22,085,519	\$ 22,000,000	-0.39%	\$ 22,000,000	0.00%
8260	855610	Safety Grants	\$ 14,999,277	\$ 15,000,000	\$ 15,000,000	0.00%	\$ 15,000,000	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 264,017,589</b>	<b>\$ 282,843,726</b>	<b>\$ 279,867,260</b>	<b>-1.05%</b>	<b>\$ 282,569,760</b>	<b>0.97%</b>
3490	855601	OSHA Enforcement	\$ 1,547,792	\$ 2,078,007	\$ 1,653,900	-20.41%	\$ 1,653,900	0.00%
3FW0	855614	BLS SOII Grant	\$ 103,752	\$ 189,543	\$ 195,104	2.93%	\$ 195,104	0.00%
3FW0	855615	NIOSH Grant	\$ 0	\$ 168,499	\$ 200,000	18.70%	\$ 200,000	0.00%
<b>Federal Fund Group Total</b>			<b>\$ 1,651,545</b>	<b>\$ 2,436,049</b>	<b>\$ 2,049,004</b>	<b>-15.89%</b>	<b>\$ 2,049,004</b>	<b>0.00%</b>
<b>Bureau of Workers' Compensation Total</b>			<b>\$ 265,669,134</b>	<b>\$ 285,279,775</b>	<b>\$ 281,916,264</b>	<b>-1.18%</b>	<b>\$ 284,618,764</b>	<b>0.96%</b>

## Ohio Industrial Commission

### Dedicated Purpose Fund Group

#### 5W30 845321 Operating Expenses

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$40,343,199	\$40,540,905	\$40,248,632	\$43,052,689	<b>\$46,484,165</b>	<b>\$47,223,650</b>
	0.5%	-0.7%	7.0%	<b>8.0%</b>	<b>1.6%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** ORC 4121.021; Section 2 of H.B. 51 of the 131st G.A.

**Purpose:** This line item pays for the operating expenses of the Industrial Commission. The Commission hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation.

#### 5W30 845402 Rent - William Green Building

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$1,047,233	\$1,051,395	\$1,022,101	\$1,071,502	<b>\$1,150,000</b>	<b>\$1,150,000</b>
	0.4%	-2.8%	4.8%	<b>7.3%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** Section 2 of H.B. 51 of the 131st G.A.

**Purpose:** This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building in downtown Columbus.

#### 5W30 845410 Attorney General Payments

FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Introduced	FY 2019 Introduced
\$3,785,602	\$3,793,650	\$3,793,650	\$3,793,650	<b>\$3,793,650</b>	<b>\$3,793,650</b>
	0.2%	0.0%	0.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** Section 2 of H.B. 51 of the 131st G.A.

**Purpose:** This line item funds the Ohio Industrial Commission's share of costs related to legal services provided by the Attorney General's Workers' Compensation Section. The Bureau of Workers' Compensation pays the remaining portion. Both agencies make alternating quarterly payments for this purpose during the fiscal year.

## FY 2018 - FY 2019 Introduced Appropriation Amounts

## All Fund Groups

### Line Item Detail by Agency

			Estimate	Introduced	FY 2017 to FY 2018	Introduced	FY 2018 to FY 2019	
			FY 2016	FY 2017	FY 2018	% Change	FY 2019	% Change
<b>Report For OIC Budget</b>			<b>Version: As Introduced</b>					
<b>OIC Ohio Industrial Commission</b>								
5W30	845321	Operating Expenses	\$ 40,248,632	\$ 43,052,689	\$ 46,484,165	7.97%	\$ 47,223,650	1.59%
5W30	845402	Rent - William Green Building	\$ 1,022,101	\$ 1,071,502	\$ 1,150,000	7.33%	\$ 1,150,000	0.00%
5W30	845410	Attorney General Payments	\$ 3,793,650	\$ 3,793,650	\$ 3,793,650	0.00%	\$ 3,793,650	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 45,064,384</b>	<b>\$ 47,917,841</b>	<b>\$ 51,427,815</b>	<b>7.32%</b>	<b>\$ 52,167,300</b>	<b>1.44%</b>
<b>Ohio Industrial Commission Total</b>			<b>\$ 45,064,384</b>	<b>\$ 47,917,841</b>	<b>\$ 51,427,815</b>	<b>7.32%</b>	<b>\$ 52,167,300</b>	<b>1.44%</b>