

## Questions & Answers

### *Workers' Compensation Premium Assessment (WCPA)*

Q. What is the WCPA?

A. The WCPA is a shift in funding designed by the Legislature to address current budgetary conditions and stabilize funding for the Department of Industrial Relations (DIR) operations, which includes the Divisions of Workers' Compensation, Occupational Safety and Health and Labor Standards Enforcement.

Q. What happened to the previous funding method?

A. Until the recent budget crisis, a significant portion of the DIR budget came from the state's general fund. But over the last two years, DIR and its divisions have lost revenues due to legislative and administrative budget cuts.

Q. When did the new assessment program begin?

A. The WCPA began in 2008 when the Division of Occupational Safety & Health (DOSH) lost approximately 16 percent of its general fund dollars. Since then, DOSH has continued to lose revenues and 41 percent of its budget will be provided through the WCPA assessments, while 31 percent will come from the fees generated through operating functions such as elevator, pressure vessel, amusement ride and tramway inspections. Another 28 percent will come from the federal government. The assessments for DOSH are capped and may not exceed \$52 million.

Q. Are other divisions also affected by this new funding shift?

A. Yes, approximately 70 percent of the Division of Labor Standards Enforcement (DLSE) budget will also be provided by the assessments in the 2010/11 fiscal year. The remaining 30 percent of the DLSE budget will be covered by licensing fees and penalty assessments. As it is for DOSH, the DLSE assessments are capped at \$37 million.

Q. How long will the assessments be used to provide DIR and division funding?

A. The assessments will be in effect until 2013 when the Legislature will review the funding process to determine if the assessments should continue at their current level or if they will sunset—be removed from the budget.

Q. What is the statutory authority for this funding shift?

- A. Authority to implement the assessments is contained in Labor Code sections 62.5 and 62.6. Specifically section 62.5 required insurers to collect money from employers to fund certain operations including:
- Antifraud efforts by the California Department of Insurance and local district attorneys
  - Pay benefits to injured workers whose employers were illegally uninsured, and
  - Provide compensation to injured workers who already had a disability or impairment at the time of injury

Legislation in 2009 also created the Labor Enforcement and Compliance Fund (LECF) to provide a stable funding source for the DLSE. As you may know, the DLSE enforces minimum labor standards and the statutory requirement to carry workers' compensation insurance.

Q. Where does the WCPA money come from?

- A. The WCPA collects fees from employer paid premiums assessed by insurance companies, and from self-insured employers based on paid indemnity.

Q. What do the assessments actually pay for?

- A. While the new funding is designed to bring stability to DOSH and DLSE operations, it also guarantees the services they provide and continues their efforts to create a better business environment for legitimate employers in California by removing unfair competition.

Q. What benefit is that to employers?

- A. Unstable budgets can erode the effectiveness of the services DOSH and DLSE provide which benefit all employers including:
- Enforcement of programs to eliminate the underground economy
  - Labor law enforcement activities to ensure a more competitive business environment by pursuing employers who break employment laws
  - Pursuing uninsured employers who fail to carry workers' compensation coverage for their workforce
  - Ensuring workplace safety
  - Providing compliance assistance to employers who are striving to increase safety on their jobsites
  - Decreasing injuries, illnesses and fatalities at jobsites across the state

Q. I never before heard about this assessment funding shift. How did that happen?

A. The WCPA was not created in secret. It is part of the annual budget, which is a public document, and was thoughtfully and carefully considered and debated through the normal budget process. It was subjected to multiple hearings through various committees and finally was passed by the members of the California Legislature, who agreed that the services DIR and its divisions provide were critical to the state's economic well being.