

GOVERNORS ACTION REQUEST

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CAB3416

To: File
Attn: Daniel Zingale, Cabinet Secretary

From: Chuck Cake, Acting Director
Department of Industrial Relations
916-324-4163 FAX 916-324-8394 ccake@dir.ca.gov

Prepared by: Arthur S. Lujan, State Labor Commissioner
Department of Industrial Relations
Division of Labor Standards Enforcement
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Contact: Tom Grogan, Deputy Chief
(415) 703-4810 Ph (415) 355-5450 Fax TGrogan@dir.ca.gov

Date: February 25, 2003

Subject: 2002 Annual Report of the Unlawfully Uninsured Employer Enforcement Program

Request for Approval For Governor's Information Request for Discussion
 Request for Signature

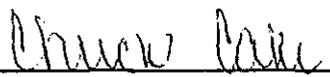
Time Factor: The report is due to the Legislature by March 1, 2003
Summary/Pro-Con Arguments: Not Applicable
Effect on Existing Law: None
Estimated Costs: None
Recommendation: Approve report before submission to the Legislature
Pursuant to Labor Code Section 90.3(d).

APPROVED:

PROCESSED BY CABINET
JUN 16 2003

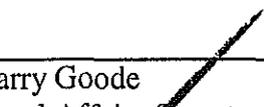

Stephen J. Smith 3/2/03
Acting Secretary Date


Daniel Zingale Date
Cabinet Secretary


Chuck Cake, Acting Director 2-27-03
Department of Industrial Relations Date


Gray Davis Date
Governor


Mike Gotch 3/3/03
Legislative Affairs Secretary Date


Barry Goode Date
Legal Affairs Secretary

DEPARTMENT OF INDUSTRIAL RELATIONS
Office of the Director
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Sacramento, CA 95814
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June 11, 2003

Mr. Gregory Schmidt
Secretary of the Senate
State Capitol, Room 3044
Sacramento, CA 95814

Mr. E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196
Sacramento, CA 95814

Dear Sirs:

Pursuant to Labor Code Section 90.3(d), attached is the 2002 approved Annual Report of the Unlawfully Uninsured Employer Enforcement Program due to the legislature by March 1, 2003.

Sincerely,

A handwritten signature in cursive script that reads "Chuck Cake".

Chuck Cake
Acting Director

Department of Industrial Relations
DIVISION OF LABOR STANDARDS ENFORCEMENT
P. O. Box 420603
San Francisco, CA 94142
(415) 703-4810



2002 Annual Report of the Unlawfully Uninsured Employer Enforcement Program

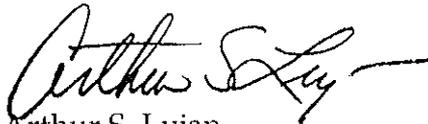
The Division of Labor Standards Enforcement (Division) through its Bureau of Field Enforcement Unit (Bureau) is charged with enforcing laws requiring employers in the State of California, to secure the coverage of workers' compensation insurance for any and all employees. To ensure that these laws are adequately enforced, Assembly Bill 749 added Labor Code § 90.3 mandating the Labor Commissioner to establish and maintain a program targeting employers in industries with the "highest incidence of unlawfully uninsured employers". The section also requires that the industries and employers be identified from data contained in the Uninsured Employers Fund (UEF), the Employment Development Department (EDD) and the Workers' Compensation Insurance Rating Bureau (WCIRB). Finally, the law requires that the Labor Commissioner conduct on-site inspections of those employers found to have employees, but no record of a valid workers' compensation policy to ensure that compliance with the workers' compensation laws is achieved.

Labor Code § 90.3(d) requires the Labor Commissioner to report annually to the State Legislature concerning the effectiveness of the program that targets unlawfully uninsured employers. This report shall include: (1) the number of unlawfully uninsured employers identified pursuant to the program, (2) the number of employers matched to records of insurance coverage, (3) the number of employers identified that there was no record of their insurance, (4) the number of employers inspected, and 5) The number and amount of penalties assessed pursuant to Section 3722 as a result of the program.

In a Finance Letter submitted jointly with the Division of Worker's Compensation (DWC) in FY 2001/02, the Division requested \$1.2 million and 13 positions to implement the requirements of LC § 90.3. There was a legislative augmentation of \$1 million that did not include position authority, however the funds were suspended in the mid-year budget reductions that were needed to address the General Fund shortfall. Therefore, the Division was not able to implement this program in January of 2003.

Despite the fact that the Division could not implement this new uninsured employer program in 2003, the Division did inspect 8,684 employers in its ongoing inspection program in calendar year 2002. Of those 8,684 employers 1,520 were found to be in violation of workers' compensation laws and were assessed \$10,557,000 in penalties. A total of \$2,072,543 was collected during the year from the illegally uninsured employers.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Arthur S. Lujan", with a horizontal line extending to the right from the end of the signature.

Arthur S. Lujan
State Labor Commissioner

March 2003