

LSC Redbook

Analysis of the Executive Budget Proposal

Bureau of Workers' Compensation
(H.B. 15 of the 128th General Assembly)

*Nick Thomas, Budget Analyst
Legislative Service Commission*

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for BWC, which includes the following three sections.

1. **Overview:** Provides a brief description of BWC, an overview of the provisions of the executive budget that affect BWC, and some additional data on issues affecting BWC in the upcoming biennium.
2. **Analysis of the Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for BWC, including funding for each appropriation line item. The line items for BWC are organized into five categories in this analysis.
3. **Attachments:** Includes the catalog of budget line items (COBLI) for BWC, which briefly describes each line item that funds the agency, and an accompanying LSC budget spreadsheet.

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Bureau of Workers' Compensation

- Recommendation of \$328.2 million in FY 2010 and FY 2011
- Implementation of comprehensive review results in FY 2010-FY 2011

OVERVIEW

Agency 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 who qualify for self-insurance. Certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. Ohio's workers' compensation system is comprised of two agencies: BWC as the insurance provider and the Ohio Industrial Commission (OIC), which adjudicates disputed claims. Employers pay premiums to BWC to cover the cost of compensating and administering claims. BWC covers approximately two-thirds of Ohio's workforce (private, state, and local government employees); the rest are covered by self-insured employers.

H.B. 100, the BWC and OIC budget act for the FY 2008-FY 2009 biennium, made substantial changes to BWC governance. The Act disbanded the Workers' Compensation Oversight Committee and replaced it with an 11-member Bureau of Workers' Compensation Board of Directors. 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 three Board subcommittees devoted to oversight of BWC's actuarial, investment, and audit policies.

H.B. 100 made other changes that generally provide greater oversight of BWC operations. The Act created the position of Deputy Inspector General for BWC and OIC. It also created the Workers' Compensation Council to augment legislative oversight for BWC. Finally, the Act required BWC to conduct a review of its rating program and to develop and use a more accurate claims reserve setting system.

At the beginning of FY 2009, BWC had assets of \$22.5 billion and claims liabilities of \$20.3 billion. FY 2008 revenue, including both premium and asset income, was approximately \$2.4 billion.

According to the Department of Administrative Services' monthly employee report, as of January 16, 2009, BWC had about 2,370 employees. For FY 2010 and FY 2011, BWC will have an estimated staff of just over 2,400 full-time employees (FTEs).

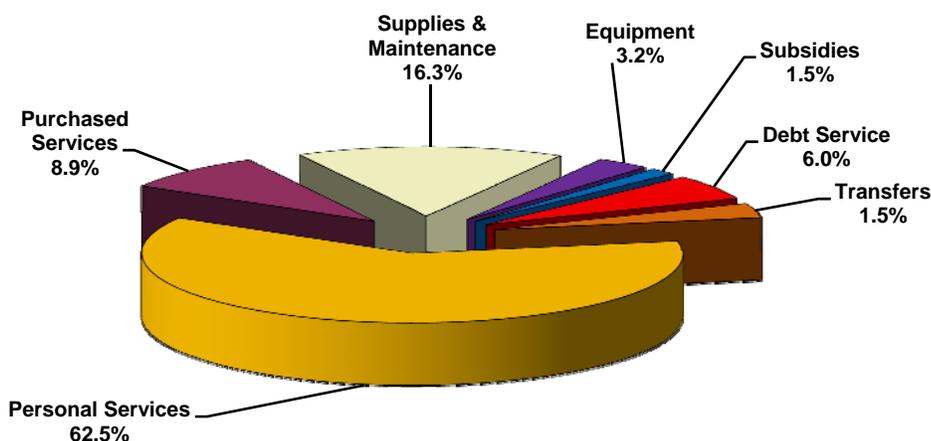
Appropriation Overview

The executive recommended budget funds BWC at \$328.2 million in each fiscal year. This is a decrease of only .3% compared to the FY 2009 appropriation of \$329.2 million. Except for a small portion of federal funding (approximately \$1.6 million, or 0.5%) that supports an on-site workplace safety consultation program for small employers, all BWC appropriations are made from the Workers' Compensation Fund (Fund 7023) and are used to cover BWC's costs for administering the state's workers' compensation system. The fund consists of revenues derived from assessments paid by employers. Those that use more BWC resources pay higher rates and vice versa. Total anticipated revenues to the fund are approximately \$289 million for each year of the biennium. Uncodified language in the executive budget requires that any unencumbered cash balance in excess of \$45 million in the Workers' Compensation Fund (Fund 7023) as of June 30 of each fiscal year be used to reduce the administrative assessments charged to employers for BWC programs. Insurance premiums paid by state fund employers are deposited into, and compensation awarded to injured workers for lost time and medical claims are paid out of, the State Insurance Fund (SIF) and do not require appropriations.

Appropriations by Expense Category

Chart 1 below shows the executive budget recommendations by expense category for the FY 2010-FY 2011 biennium. Personal services account for 62.5% of BWC's recommended funding for the FY 2010-FY 2011 biennium. Supplies and maintenance, the second largest expense category, accounts for 16.3% of total funding. Purchased personal services represent 8.9% of BWC's budget. Debt service payments on the William Green Building account for 6.0% of BWC's appropriation. Other expenses – such as equipment, subsidies, and transfers – together make up the remaining 6.2% of the recommended funding.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2010-FY 2011**



Issues of Interest

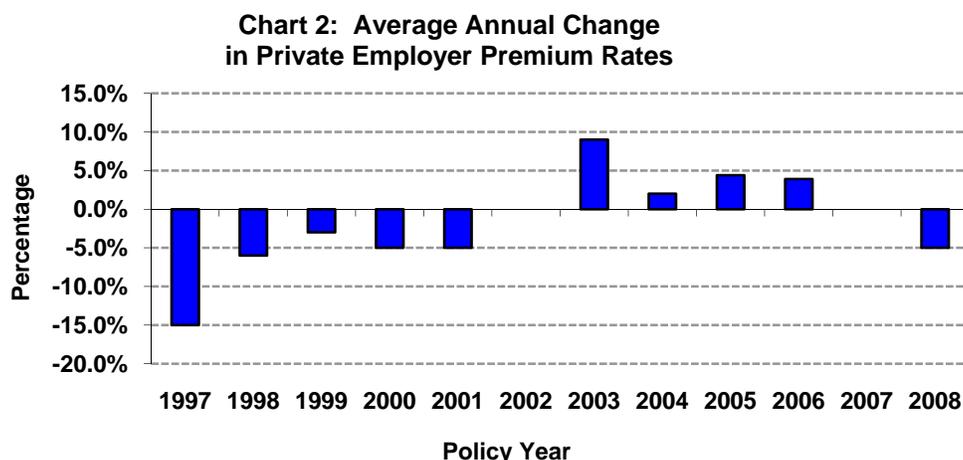
Comprehensive Study

One of the studies mandated by H.B. 100 was an independent review of BWC's base rates and all rating programs. The study also covered BWC's use of dividends, standards of subrogation, its system of injury claims management through BWC-certified Managed Care Organizations, use of reinsurance, adequacy of net assets, and self-insurance processes. This study was completed in December of 2008 at a cost of approximately \$2.1 million. BWC is currently reviewing the study and developing a plan to implement beneficial recommendations.

One particular aspect of BWC's system that is being considered for overhaul as a result of the study is the way that BWC sets premium rates for employers. There are several options regarding new rate-setting processes, one of which is to offer employers performance-based safety incentives in the form of dividends or discounts. Another possibility is implementing a smaller cap on rate changes (the cap is currently 30%) to lessen the financial impact on employers when an injury occurs.

Premium Rates and Revenues

On July 1, 2008, BWC reduced Ohio private employers' premium rates by an average of 5%. As Chart 2 shows, this was the first rate reduction since policy year (PY) 2001. As with the state fiscal year, the policy year runs from July 1 to June 30. However, the naming convention differs. For example, the period of July 1, 2008 through June 30, 2009 is FY 2009 and PY 2008.



BWC collected approximately \$2.5 billion in premiums and paid a little more than \$2 billion in compensation benefits in FY 2008. Of benefits paid, \$1.22 billion (53.9%) was for indemnity, or lost time, benefits and \$839 million (40.7%) was for medical benefits. From FY 2006 to FY 2008, premium collections exceeded benefits paid by a total of \$1.27 billion.

Deputy Inspector General for BWC and OIC

Investigations of fraud or mismanagement inside BWC were previously handled by the Internal Affairs Program. H.B. 100 effectively eliminated this program and replaced it with a program headed by a Deputy Inspector General for BWC and OIC, who is appointed by the Inspector General. The Deputy Inspector General investigates allegations concerning improper conduct by BWC and OIC officers and employees, as well as allegations of fraud committed by participants in the workers' compensation system.

The executive budget for BWC establishes the Deputy Inspector General for the BWC and OIC Fund (Fund 5FT0) and makes an initial transfer of \$106,000 to it from the Workers' Compensation Fund (Fund 7023). The executive main operating budget makes an appropriation of \$425,000 under the Inspector General in each fiscal year to cover the Deputy Inspector General's costs. The BWC budget bill also requires that BWC transfer funds to cover the operating expenses of the Deputy Inspector General on a quarterly basis, beginning October 1 of FY 2010.

ANALYSIS OF EXECUTIVE PROPOSAL

Introduction

This section provides an analysis of the Governor's recommended funding for each appropriation item in BWC's budget. In this analysis BWC's line items are grouped into five major categories. 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 five categories used in this analysis are as follows:

1. Claims, Risk, and Medical Management;
2. Administration;
3. Safety Program;
4. Special Benefits; and
5. Lease and Debt Service Payments.

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. This is the same order the line items appear in the budget bill.

Categorization of BWC's Appropriation Line Items for Analysis of Executive Proposal			
Fund	ALI and Name		Category
Workers' Compensation Fund Group			
7023	855401	William Green Lease Payments to OBA	5: Lease and Debt Service Payments
7023	855407	Claims, Risk, and Medical Management	1: Claims, Risk, and Medical Management
7023	855408	Fraud Prevention	1: Claims, Risk, and Medical Management
7023	855409	Administrative Services	2: Administration
7023	855410	Attorney General Payments	2: Administration
8220	855606	Coal Workers' Fund	4: Special Benefits
8230	855608	Marine Industry	4: Special Benefits
8250	855605	Disabled Workers' Relief Fund	4: Special Benefits
8260	855609	Safety and Hygiene Operating	3: Safety Programs
8260	855610	Gear Program	3: Safety Programs
8290	855604	Long Term Care Loan Program	3: Safety Programs
Federal Special Revenue Fund Group			
3490	855601	OSHA Enforcement	3: Safety Programs

Category 1: Claims, Risk, and Medical Management

Appropriation items in this category ensure that claims are handled as required in the Revised Code. These items also fund oversight and communications with Managed Care Organizations, or groups of medical practitioners that meet injured workers' medical needs.

Governor's Recommended Amounts for Claim Management				
Fund	ALI and Name		FY 2010	FY 2011
Workers' Compensation Fund Group				
7023	855407	Claims, Risk, and Medical Management	\$138,129,873	\$142,659,528
7023	855408	Fraud Prevention	\$12,546,239	\$13,101,761
Total Funding: Claims, Risk, and Medical Management			\$150,676,112	\$155,761,289

Claims, Risk, and Medical Management (855407)

The executive recommendation for this line item is \$138.1 million for FY 2010, a 1.6% reduction over FY 2009 levels, and \$142.7 million for FY 2011, a 3.3% increase over the FY 2010 amount. This line item funds personnel, maintenance, and equipment costs for the programs listed in the table below.

Uses of Appropriation 855407, Claims, Risk, and Medical Management				
Function	FY 2010	% of Total	FY 2011	% of Total
Field Operations	\$94,532,589	68.44%	\$98,728,215	69.21%
Injury Management Services	\$19,000,155	13.76%	\$19,286,085	13.52%
Employer Services	\$12,466,688	9.03%	\$13,249,870	9.29%
Self-Insured Services	\$3,131,862	2.27%	\$3,188,308	2.23%
Safety Violations Investigations	\$727,896	0.53%	\$752,668	0.53%
Special Investigations	\$2,056,412	1.49%	\$2,053,944	1.44%
Customer Contact Center	\$5,549,828	4.02%	\$4,676,920	3.28%
Ombudsperson	\$664,443	0.48%	\$723,518	0.51%
Total	\$138,129,873	100.00%	\$142,659,528	100.00%

Field Operations

Almost 70% of the appropriation in each fiscal year – \$94.5 million in FY 2010 and \$98.7 million in FY 2011 – is for field operations handled by the 17 service offices around the state and a Customer Focus Center in Bridgeport. These offices handle injury and lost-time claims from the first report of injury to the resolution of the claim.

In the upcoming biennium, Field Operations is making plans to centralize and consolidate several of its functions, including the receipt and distribution of faxes, the processing of permanent total disability and death claims, the testing of system enhancements, and a statewide pooling of nursing staff.

Injury Management Services

The amount slated for Injury Management Services accounts for approximately \$19 million (about 13.5%) of the appropriation in each fiscal year. Funding in this area is for the oversight of the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, as well as the managed care organizations (MCOs) certified to manage injury claims. This includes oversight of contracts and the training of certain service providers.

Employers Services and Self-Insured Services

In FY 2009, BWC revised its benefit plans and corresponding fee schedules, increasing reimbursement rates for approximately 85% of service providers. Additionally, managed care service provider contracts now include provisions designed to increase accountability and quality in providing medical services: (1) 50% of payments to service providers are now based on performance, (2) the total amount of payment for a corresponding service is set as a fixed amount, and (3) a managed care contract can now be renegotiated when material rule changes are made.

Just over 11% of the appropriation in each fiscal year (\$15.5 million in FY 2010 and \$16.4 million in FY 2011) is for operating risk management services provided to employers and for overseeing employers who qualify for self-insurance. BWC encourages employers to lower their compensation costs by having workers participate in accident/illness prevention and various risk management programs. The Bureau also develops the courses, subsidizes the cost of providing the courses, and provides technical support for employers. This program also oversees the development and oversight of alternative rating programs, including the group rating program, which has undergone considerable review recently.

Approximately one-third of Ohio's workforce is employed by a self-insured employer. BWC audits all self-insured employers to ensure that they are in compliance with Ohio compensation laws and BWC rules and investigates all complaints made against self-insured employers. BWC also takes over responsibility for managing defaulted claims of bankrupt self-insuring employers. In the upcoming biennium, the Self-Insured Department intends to implement a new funding mechanism for the Self-Insured Employers Guaranty Fund from which defaulted self-insured claims are paid. Currently, self-insured employers pay an administrative assessment to BWC to defray the cost of providing oversight. A portion of this assessment is deposited in the Guaranty Fund. Approximately \$28.0 million was deposited in the Guaranty Fund in

FY 2008. The amount paid out was \$21.2 million. Fines levied against self-insured employers when they are in violation of a rule or a law are also deposited into the Guaranty Fund. BWC collected \$415,000 in fines from this source during FY 2008.

Customer Contact Center

Of the remaining amount of the appropriation, approximately \$5.5 million in FY 2010 and \$4.7 million (or 4.0% and 3.3%, respectively) is slated for customer service and the Customer Contact Center. The Center provides information regarding BWC's processes, law, policies, and procedures, and directs customers to the corresponding forms. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, etc. The 87 employees in this area handle an average of 56,000 queries per month.

Other Items

The appropriation includes support for two other functions. First, it funds 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. Second, 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 2007, the Office handled a total of 9,045 contacts with customers, 1,921 were complaints and 7,124 were general inquires.

Fraud Prevention (855408)

The executive recommendation for this line item is \$12.5 million for FY 2010, a 6.6% increase over FY 2009 levels, and \$13.1 million for FY 2011, a 4.4% increase from FY 2010 levels. The entirety of this line item supports the Special Investigations Department, the mission of which is to detect, investigate, and deter 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. During FY 2008, 2,965 investigations were conducted. In the upcoming biennium, the Special Investigations Department will give significant focus to crimes committed using the Internet.

Category 2: Administration

Appropriation items in this category fund administrative services that support the operations of BWC and 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.

Governor's Recommended Amounts for Administrative and Operating Costs				
Fund	ALI and Name		FY 2010	FY 2011
Workers' Compensation Fund Group				
7023	855409	Administrative Services	\$124,030,772	\$119,767,995
7023	855410	Attorney General Payments	\$4,621,850	\$4,621,850
Total Funding: Administrative and Operating Costs			\$128,652,622	\$124,389,845

Administrative Services (855409)

The executive recommendation for this line item is \$124.0 million in FY 2010, a 0.9% increase over FY 2009 levels, and \$119.8 million in FY 2011, a 3.4% reduction from FY 2010 levels.

The FY 2010 appropriation, broken down by expense category, is as follows: \$53.5 million (43%) is for payroll and benefits, \$23.4 million (19%) is slated for purchased personal services, \$31.5 million (25%) is intended for supplies and maintenance, and \$11.8 million (10%) is budgeted for equipment purchases. The breakdown for FY 2011 is roughly the same.

General administrative duties within the Bureau are broken down into five separate divisions: Fiscal and Planning, Actuarial, Investments, Human Resources, Legal, and Infrastructure and Technology. The Fiscal and Planning Division provides fiscal management, general accounting, payroll, and other fiscal functions for BWC. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves. The Investments Division is responsible for investing the assets of the State Insurance Fund. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of Equal Employment Opportunity, Employee/Labor Relations, Payroll/Benefits and Personnel, 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.

Deputy Inspector General for BWC and OIC

Under the executive budget, this line item will also be used to fund the Deputy Inspector General of BWC and OIC that was created in H.B. 100 of the 127th General Assembly. Currently, there is no formal method which prescribes how BWC is to reimburse the Deputy Inspector General for associated expenses. The executive BWC budget changes this by requiring the Deputy Inspector General to submit billings to the Bureau for the costs incurred in performing investigations. BWC is then required to pay the billings by intrastate transfer voucher (ISTV) quarterly.

The executive BWC budget specifies that up to \$425,000 of appropriation item 855409, Administrative Services, is to be used in each fiscal year to reimburse the Inspector General for investigation costs. However, the Bureau may seek Controlling Board approval to increase the amount designated and the appropriation as necessary to reimburse the Inspector General. The bill also authorizes the transfer of \$106,000 from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for the BWC and OIC Fund (Fund 5FT0) to pay the operating costs of the Deputy Inspector General until the Bureau begins making these regular payments.

Attorney General Payments (855410)

The executive recommendation for this line item is \$4.6 million in both fiscal years, a 4.0% increase over FY 2009 levels. This line item funds half of the costs related to the legal services of the Attorney General's Workers' Compensation Unit; the remaining half of costs are paid by the Industrial Commission. The Attorney General provides investigative services in fraud cases and represents BWC in certain legal proceedings. In addition, the executive budget provides for up to \$796,346 to be used to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office.

One of BWC's goals for the upcoming biennium is to increase the number of employers that are fully compliant with Ohio compensation law. As such, BWC will be committing greater resources to policing employers, collecting overdue premiums, and working with the Attorney General's Office when legal action is necessary.

Category 3: Safety Programs

Appropriations in this category provide funding that allows BWC to ensure that employers meet applicable safety standards and laws. It also allows BWC to provide safety training to employers.

Governor's Recommended Amounts for Safety				
Fund	ALI and Name		FY 2010	FY 2011
Workers' Compensation Fund Group				
8260	855609	Safety and Hygiene Operating	\$20,734,750	\$20,734,750
8260	855610	Safety Grants Program	\$4,000,000	\$4,000,000
8290	855604	Long Term Care Loan Program	\$2,000,000	\$2,000,000
Workers' Compensation Fund Group Subtotal			\$26,734,750	\$26,734,750
Federal Special Revenue				
3490	855601	OSHA Enforcement	\$1,604,140	\$1,604,140
Federal Special Revenue Fund Group Subtotal			\$1,604,140	\$1,604,140
Total Funding: Safety			\$28,338,890	\$28,338,890

Safety and Hygiene Operating and OSHA Enforcement (855609 and 855601)

The executive recommendation for the line item Safety and Hygiene is \$20.7 million for FY 2010 and FY 2011, flat funding over FY 2009 levels. The executive recommendation for line item 855601, OSHA Enforcement, is \$1.6 million for FY 2010 and FY 2011, flat funding over FY 2009 levels. Both line items fund the operations of the Division of Safety and Hygiene. The Division is responsible for creating safe work environments through the investigation and prevention of industrial accidents and disease. The Division's responsibilities include:

- Making targeted visits to employers with high frequency of accidents to educate them in risk and safety management;
- Providing safety and health consultative services to Ohio's public employers;
- Administering the Safety Grants Program which assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries;
- Supporting local safety councils, which offer educational resources for safety and health in the workplace.

During the current biennium, Safety and Hygiene instructors provided classroom instruction, seven on-line courses, and on-site training. Specialized instruction and training was provided to construction companies, nursing homes, public employers, and temporary agencies, which have been shown to have higher than

average incidents of injury. Funding amounts will allow BWC to maintain current service levels and target high-risk employers for specialized training and education.

The Division also operates OSHA's On-Site Consultation Program. The primary focus of this program is small, high-hazard, private-sector employers. The program operates under a Cooperative Agreement that is established yearly between the state of Ohio and the U.S. Department of Labor. Ninety percent of the program's operating costs are paid for through a grant made by the federal government. Temporary law in the bill provides matching funds of \$1.6 million in each fiscal year for FY 2010 and FY 2011.

Gear Program (855610)

The executive recommendation for this line item is \$4.0 million in both FY 2010 and FY 2011, flat funding over FY 2009 levels. The appropriation item funds the Safety Grants Program. The grant program is available to any State Insurance Fund or public employer who wishes to purchase equipment to substantially reduce or eliminate injuries and illnesses associated with a particular task or operation. Within this program, private and public employers also can apply for a four-to-one matching grant, up to a maximum BWC contribution of \$40,000, to acquire equipment that will reduce the occurrence of workplace injury or illness.

Long Term Care Loan Program (855604)

The executive recommendation for this line item is \$2.0 million in both FY 2010 and FY 2011, flat funding over FY 2009 levels. This appropriation item supports BWC's Long Term Care Loan Program, which reimburses long-term care facilities (such as nursing homes or hospitals) for interest paid on loans used to purchase no-manual lift devices. Manually lifting patients is a common source of injury claims, and so these devices could potentially reduce lift-related injuries at facilities. Under the program, BWC will reimburse interest on loans of up to \$100,000. The reimbursable interest rate on loans is capped at prime plus 2.5%. The program began in FY 2007. In FY 2009, three long-term care facilities are participating. Total loans taken out under the program since inception are \$228,475; the total interest reimbursed on these loans for FY 2009 is expected to be approximately \$14,609.

Category 4: Special Benefits

Appropriations in this category are used to provide special benefits to employers with additional workers' compensation coverage required by federal law.

Governor's Recommended Amounts for Special Benefits				
Fund	ALI and Name		FY 2010	FY 2011
Workers' Compensation Fund Group				
8220	855606	Coal Workers' Fund	\$91,894	\$91,894
8230	855608	Marine Industry	\$53,952	\$53,952
8250	855605	Disabled Workers Relief Fund	\$492,500	\$492,500
Total Funding: Workers' Compensation Fund Group			\$638,346	\$638,346

Coal Workers' Fund (855606)

The executive recommendation for this line item is \$91,894 for FY 2010 and FY 2011, flat funding over FY 2009 levels. 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, that is paid by coal operators who elect to insure payment of benefits required by that Act. Total revenues to the fund for FY 2008 were \$75,539; disbursements from the fund were \$80,911. Anticipated revenues for FY 2010 and FY 2011 are \$91,500 in each year; disbursements in each year are expected to be \$91,894.

Marine Industry (855608)

The executive recommendation for this line item is \$53,952 for FY 2010 and FY 2011, flat funding over FY 2009 levels. 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. Total revenues to the fund for FY 2008 were \$61,180; disbursements from the fund were \$45,101. Anticipated revenues for FY 2010 and FY 2011 are \$53,900 in each year; disbursements in each year are expected to be \$53,952.

Disabled Workers Relief Fund (855605)

The executive recommendation for this line item is \$492,500 for FY 2010 and FY 2011, flat funding over FY 2009 levels. This line item pays operating costs associated

with the Disabled Workers Relief Fund (DWRF), which provides supplemental cost-of-living benefits to approximately 30,000 permanently and totally disabled persons receiving benefits from the State Insurance Fund or the Public Work-Relief Employee's Fund. The fund is maintained by an additional premium charge of \$0.10 per \$100 of payroll and 0.1% of State Insurance Fund employer premiums. Total revenues to the fund for FY 2008 were \$454,819; disbursements from the fund were \$432,432. Anticipated revenues for FY 2010 and FY 2011 are \$493,000 in each year; disbursements in each year are expected to be \$492,500.

Category 5: Lease and Debt Service Payments

The appropriation in this category is used to make debt service and lease payments to the Ohio Building Authority for the William Green Building.

Governor's Recommended Amounts for Administrative and Operating Costs				
Fund	ALI and Name		FY 2010	FY 2011
Workers' Compensation Fund Group				
7023	855401	William Green Lease Payments to OBA	\$19,871,795	\$19,049,395

William Green Lease Payments to OBA (855401)

The executive recommendation for this line item is \$19.8 million in FY 2010, a 3.9% reduction from FY 2009 levels, and \$19.0 million in FY 2011, a 4.1% reduction from FY 2010 levels. This appropriation item is used to make debt service payments on bonds issued to purchase the William Green Building. It is also used to make lease payments to the Ohio Building Authority.

BWC.docx / cm

Federal Special Revenue Fund Group

3490 855601 OSHA Enforcement

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$1,294,709	\$1,354,545	\$1,343,249	\$1,604,140	\$1,604,140	\$1,604,140
	4.6%	-0.8%	19.4%	0.0%	0.0%

Source: FED: Occupational Safety and Health Administration; CFDA 17.504, OSHA Consultation Agreements

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A.

Purpose: These funds are used to support OSHA's on-site consultation program, which provides small, private employers with services relating to work place 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.

Workers' Compensation Fund Group

7023 855401 William Green Lease Payments to OBA

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$19,552,046	\$19,923,134	\$20,237,720	\$20,686,500	\$19,871,795	\$19,049,395
	1.9%	1.6%	2.2%	-3.9%	-4.1%

Source: WCF: Assessments paid by employers and deposited in the Workers' Compensation Fund

Legal Basis: ORC 4123.443; Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Sub. S.B. 218 of the 119th G.A.)

Purpose: This line item is used to make rental payments to the Ohio Building Authority for the Bureau's headquarters in downtown Columbus.

7023 855407 Claims, Risk and Medical Management

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$130,447,315	\$132,144,421	\$124,950,724	\$140,367,719	\$138,129,873	\$142,659,528
	1.3%	-5.4%	12.3%	-1.6%	3.3%

Source: WCF: Assessments paid by employers and deposited in the Workers' Compensation Fund

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

Purpose: The line item funds personnel, maintenance, and equipment costs associated with the BWC's claims, risk, and medical management programs. Programs under the Injury Management, Employer Management, and Customer Service program series are included within this line item.

7023 855408 Fraud Prevention

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$10,918,394	\$10,982,231	\$11,133,024	\$11,772,551	\$12,546,239	\$13,101,761
	0.6%	1.4%	5.7%	6.6%	4.4%

Source: WCF: Assessments paid by employers and deposited in the Workers' Compensation Fund

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd 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.

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7023 855409 Administrative Services

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$115,941,445	\$116,210,892	\$115,756,351	\$122,962,388	\$124,030,772	\$119,767,995
	0.2%	-0.4%	6.2%	0.9%	-3.4%

Source: WCF: Assessments paid by employers and deposited to the Workers' Compensation Fund

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd 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 FY 2010 - FY 2011, this line item is also 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.

7023 855410 Attorney General Payments

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$4,058,101	\$4,023,297	\$4,099,303	\$4,444,085	\$4,621,850	\$4,621,850
	-0.9%	1.9%	8.4%	4.0%	0.0%

Source: WCF: Assessments paid by employers and deposited to the Workers' Compensation Fund

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

Purpose: This line item funds 50% of the costs related to the legal services of the Attorney General's Workers' Compensation Unit, which includes expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year. The Bureau is required to transfer \$796,346 in both FY 2010 and FY 2011 for these purposes.

8220 855606 Coal Workers' Fund

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$84,837	\$75,714	\$80,912	\$91,894	\$91,894	\$91,894
	-10.8%	6.9%	13.6%	0.0%	0.0%

Source: WCF: Additional assessments paid by coal industry employers and deposited in the Coal Workers' Pneumoconiosis Fund

Legal Basis: ORC 4131.03; Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A.

Purpose: This line item funds the administrative costs of the Coal Workers' Pneumoconiosis Fund, which is in the custody of the Treasurer of State. The fund provides benefits as directed by the Federal Coal Mine Health and Safety Act of 1969.

8230 855608 Marine Industry

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$53,186	\$52,337	\$45,101	\$53,952	\$53,952	\$53,952
	-1.6%	-13.8%	19.6%	0.0%	0.0%

Source: WCF: Additional assessments charged to marine industry employers and deposited into the Marine Industry Fund

Legal Basis: ORC 4131.13; Section 201.10 of Am. Sub. H.B. 100 of the 127th 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

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$514,992	\$489,445	\$432,432	\$492,500	\$492,500	\$492,500
	-5.0%	-11.6%	13.9%	0.0%	0.0%

Source: WCF: Additional assessments paid by employers and deposited to the Disabled Workers' Relief Fund

Legal Basis: ORC 4123.412; Section 201.10 of Am. Sub. H.B. 100 of the 127th 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 benefits from the fund. The fund is in the custody of the Treasurer of State. DWRF assessments are calculated at \$0.10 per \$100 of payroll and 0.01% of the basic premium rate. DWRF benefits are cost-of-living adjustments granted to permanently and totally disabled workers.

8260 855609 Safety and Hygiene Operating

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$19,818,014	\$19,930,844	\$19,696,991	\$20,734,750	\$20,734,750	\$20,734,750
	0.6%	-1.2%	5.3%	0.0%	0.0%

Source: WCF: Safety and Hygiene Fund assessments charged to employers; transfers of moneys from the State Insurance Fund amounting to \$20,734,750 in FY 2010 and FY 2011.

Legal Basis: ORC 4121.37

Purpose: This line item provides all operating funds for the Division of Safety and Hygiene. The Safety and Hygiene Fund assessment, which is charged in addition to employers' premium assessments, was once statutorily limited to an additional 0.5% of total premiums for private employers and 0.75% of total premiums for state and local government employers. Am. Sub. H.B. 180 of the 123rd G.A increased the private employer assessment rate to 1% of paid premiums.

8260 855610 Gear Program

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$3,724,967	\$3,547,945	\$3,707,753	\$4,000,000	\$4,000,000	\$4,000,000
	-4.8%	4.5%	7.9%	0.0%	0.0%

Source: WCF: Transfers from the State Insurance Fund

Legal Basis: Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 107 of the 120th G.A.)

Purpose: Under the Gear program, the Division of Safety and Hygiene provides grants to State Insurance Fund and public employers that wish to purchase equipment to substantially reduce or eliminate injuries and illnesses associated with a particular task or operation.

8290 855604 Long Term Care Loan Program

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$0	\$0	\$1,725	\$2,000,000	\$2,000,000	\$2,000,000
			115834.0%	0.0%	0.0%

Source: WCF: Transfer from the Safety and Hygiene Operating Fund

Legal Basis: ORC Section 4121.48; Section 201.10 of Am. Sub. H.B. 100 of the 127th G.A. (originally established by Am. Sub. H.B. 67 of the 126th G.A.)

Purpose: The Long Term Care Loan Fund is used to pay the interest on loans taken out by nursing homes for the purchase and installation of "no-lift" equipment, such as sit-to-stand floor lifts, ceiling lifts, other lifts, and fast electric beds.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2008</i>	<i>2009</i>	<i>As Introduced 2010</i>	<i>% Change 2009 to 2010</i>	<i>As Introduced 2011</i>	<i>% Change 2010 to 2011</i>
<i>BWC Bureau of Workers' Compensation</i>								
3490	855601	OSHA Enforcement	\$ 1,343,249	\$ 1,604,140	\$ 1,604,140	0.0%	\$ 1,604,140	0.0%
Federal Special Revenue Fund Group Total			\$ 1,343,249	\$ 1,604,140	\$ 1,604,140	0.0%	\$ 1,604,140	0.0%
7023	855401	William Green Lease Payments to OBA	\$ 20,237,720	\$ 20,686,500	\$ 19,871,795	-3.9%	\$ 19,049,395	-4.1%
7023	855407	Claims, Risk and Medical Management	\$ 124,950,724	\$ 140,367,719	\$ 138,129,873	-1.6%	\$ 142,659,528	3.3%
7023	855408	Fraud Prevention	\$ 11,133,024	\$ 11,772,551	\$ 12,546,239	6.6%	\$ 13,101,761	4.4%
7023	855409	Administrative Services	\$ 115,756,351	\$ 122,962,388	\$ 124,030,772	0.9%	\$ 119,767,995	-3.4%
7023	855410	Attorney General Payments	\$ 4,099,303	\$ 4,444,085	\$ 4,621,850	4.0%	\$ 4,621,850	0.0%
8220	855606	Coal Workers' Fund	\$ 80,912	\$ 91,894	\$ 91,894	0.0%	\$ 91,894	0.0%
8230	855608	Marine Industry	\$ 45,101	\$ 53,952	\$ 53,952	0.0%	\$ 53,952	0.0%
8250	855605	Disabled Workers Relief Fund	\$ 432,432	\$ 492,500	\$ 492,500	0.0%	\$ 492,500	0.0%
8260	855609	Safety and Hygiene Operating	\$ 19,696,991	\$ 20,734,750	\$ 20,734,750	0.0%	\$ 20,734,750	0.0%
8260	855610	Gear Program	\$ 3,707,753	\$ 4,000,000	\$ 4,000,000	0.0%	\$ 4,000,000	0.0%
8290	855604	Long Term Care Loan Program	\$ 1,725	\$ 2,000,000	\$ 2,000,000	0.0%	\$ 2,000,000	0.0%
Workers' Compensation Fund Group Total			\$ 300,142,037	\$ 327,606,339	\$ 326,573,625	-0.3%	\$ 326,573,625	0.0%
Total All Budget Fund Groups			\$ 301,485,286	\$ 329,210,479	\$ 328,177,765	-0.3%	\$ 328,177,765	0.0%