

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

|   |   |                              |                                       |   |  |
|---|---|------------------------------|---------------------------------------|---|--|
| <b>LRB Number</b> 01-3620/2   | <b>Introduction Number</b> SB-377                           |                              |                                       |   |  |
| <b>Subject</b><br>Duty disability benefits and workers' compensation payments   |   |                              |                                       |   |  |
| <b>Fiscal Effect</b>  |   |                              |                                       |   |  |
| <b>State:</b><br><input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs                                  |   |                              |                                       |   |  |
| <b>Local:</b><br><input type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate<br>1. <input checked="" type="checkbox"/> Increase Costs              3. <input type="checkbox"/> Increase Revenue<br><input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs              4. <input type="checkbox"/> Decrease Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |   |                              |                                       |   |  |
| <b>5. Types of Local Government Units Affected</b><br><input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities<br><input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others<br><input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts   |   |                              |                                       |   |  |
| <table style="width: 100%;"> <tr> <td style="width: 50%;"><b>Fund Sources Affected</b></td> <td style="width: 50%;"><b>Affected Ch. 20 Appropriations</b></td> </tr> <tr> <td> <input checked="" type="checkbox"/> GPR              <input checked="" type="checkbox"/> FED              <input checked="" type="checkbox"/> PRO              <input checked="" type="checkbox"/> PRS              <input checked="" type="checkbox"/> SEG              <input checked="" type="checkbox"/> SEGS s. 20.515 (1)(w)         </td> <td></td> </tr> </table>  |   | <b>Fund Sources Affected</b> | <b>Affected Ch. 20 Appropriations</b> | <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS s. 20.515 (1)(w) |  |
| <b>Fund Sources Affected</b>  | <b>Affected Ch. 20 Appropriations</b>                       |                              |                                       |   |  |
| <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS s. 20.515 (1)(w)   |   |                              |                                       |   |  |
| <b>Agency/Prepared By</b><br>ETF/ Pam Henning (608) 267-2929  | <b>Authorized Signature</b><br>Dave Hinrichs (608) 266-3763 |                              |                                       |   |  |
| <b>Date</b><br>1/28/02  |   |                              |                                       |   |  |

**Fiscal Estimate Narratives**

**ETF 1/28/02**

|   |                            |                        |
|---|----------------------------|------------------------|
| LRB Number 01-3620/2  | Introduction Number SB-377 | Estimate Type Original |
| <b>Subject</b>  |                            |                        |
| Duty disability benefits and workers' compensation payments |                            |                        |

**Assumptions Used in Arriving at Fiscal Estimate**

SB 377 requires that the Department complete audits of duty disability accounts where refunds may be due as a result of the decision of the Wisconsin Supreme Court in *Coutts vs. Wis. Retirement Board* which found, in part, that certain worker's compensation benefits may have been improperly offset against the s. 40.65 benefit. The bill will require the Department to complete a review and audit of all duty disability accounts which began prior to the *Coutts* decision and have not already been reviewed by no later than October 1, 2002.

The number of accounts that are affected is 526: 69 of which have been reviewed but not audited and 457 which have yet to be started. Based on the timekeeping records for the accounts, it is estimated that it will take one (1) hour to complete the audit of each of the 69 accounts, and 10.5 hours to complete the review and audit of each of the 457 accounts. This is a total of 4867.5 hours (609 days).

Due to the deadline for completion of the reviews required by SB 377 and the complexity of the review and recalculations needed, the Department would need to contract for outside accounting services to complete this process. In addition, the Department would have to train the accountants on the duty disability benefit and the review and recalculation process. Initially, Department staff would need to audit the work of the accountants for accuracy.

We are basing this estimate on a start date of May 1, 2002. The audits would have to be completed, verified and issued prior to September 4, 2001, which is the payroll cut-off for the Department's annuity payment system.

We would require 8 FTE accountants @ \$65.00/hour (current DOA contract rate). There would have to be temporary space, furniture and equipment available, since the duty disability files are located at the Department as they are paper files and are confidential due to disability medical information. The Department would also need 200 hours of overtime for appropriate staff training and auditing of the accountants.

The budget for this would be as follows:

8.0 FTE accountants: \$318,500.00  
Space (200 sq.ft. @ \$19.05/yr/person): \$15,200.00  
Furniture: \$40,000.00  
PCs: \$24,000.00  
200 overtime hours: \$8,000.00

Total: \$405,700.00

SB 377 would prohibit the Department from recovering any overpayments identified as part of the required audit. Many overpayments are not only the result of application of the decision in *Coutts*, but also a result of incorrect salary information, unreported income, Social Security awards and worker's compensation benefits awarded and paid well after the individual's duty disability effective date, etc. Recipients are required under law to report these situations.

Based on the total overpayments identified in those accounts which have already been recalculated and those ready for audit, the amount of overpayments that would not be recovered under SB 377 is \$1,656,650.00. (\$8,283.25 x 200 accounts). It is estimated that 280 total accounts would receive refunds totaling approximately \$1,481,256.00.

The duty disability program is entirely funded by employers. Their premiums paid are directly affected by the benefits paid to their (former) employees. The payment of refunds with no offset for the overpayments will be

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passed on to state and local governments in the form of increased premiums.

The bill does not address the 149 accounts that have already been recalculated and a determination has been issued.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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  Supplemental

|  |  |  |                 |
|--|--|--|-----------------|
| LRB Number <b>01-3620/2</b>  |  | Introduction Number <b>SB-377</b>              |                 |
| <b>Subject</b>   |  |  |                 |
| Duty disability benefits and workers' compensation payments  |  |  |                 |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>                                |  |  |                 |
| \$405,700 SEG for contract staff and associated supplies and services  |  |  |                 |
| <b>II. Annualized Costs:</b>   |  | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|  |  | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>  |  |  |                 |
| State Operations - Salaries and Fringes  |  | \$   |                 |
| (FTE Position Changes)   |  |  |                 |
| State Operations - Other Costs   |  |  |                 |
| Local Assistance   |  |  |                 |
| Aids to Individuals or Organizations   |  |  |                 |
| <b>TOTAL State Costs by Category</b>   |  | <b>\$</b>                                      | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>   |  |  |                 |
| GPR  |  |  |                 |
| FED  |  |  |                 |
| PRO/PRS  |  |  |                 |
| SEG/SEG-S  |  |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b> |  |  |                 |
|  |  | Increased Rev                                  | Decreased Rev   |
| GPR Taxes  |  | \$   | \$              |
| GPR Earned   |  |  |                 |
| FED  |  |  |                 |
| PRO/PRS  |  |  |                 |
| SEG/SEG-S  |  |  |                 |
| <b>TOTAL State Revenues</b>  |  | <b>\$</b>                                      | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>  |  |  |                 |
|  |  | State  | Local           |
| NET CHANGE IN COSTS  |  | \$See Narrative                                | \$              |
| NET CHANGE IN REVENUE  |  | \$   | \$              |
| <b>Agency/Prepared By</b>  |  | <b>Authorized Signature</b>                    | <b>Date</b>     |
| ETF/ Pam Henning (608) 267-2929  |  | Dave Hinrichs (608) 266-3763                   | 1/28/02         |