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**HF 518** – Workers' Compensation (LSB1691HV.1)  
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Fiscal Note Version – As Amended and Passed by the House

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**Description**

**House File 518** makes various changes to Iowa Code chapter **85** related to workers' compensation by reducing benefits, limiting benefits, changing the qualifications for benefits, and reducing the interest rate calculation. The Bill provides for training, at an Iowa community college, that at a minimum, will result in the awarding of an associate degree, or completion of a certificate program, that will enable a worker who has sustained a shoulder injury, as specified in Iowa Code section **85.34(2)**, to return to the workforce. The Iowa Workforce Development (IWD) Department is required to evaluate those workers for career and training opportunities. The Iowa community colleges are required to have a new Career Vocational Training and Education Program to address the needs of those workers. Each of those injured workers will be entitled to up to \$15,000 for the payment of tuition, fees, and required equipment, to be paid for by the injured worker's employer or employer's insurer. The community college may be required to report each semester on the status of the employee's training. An annual report on the Program is due to the General Assembly beginning December 1, 2018. The report is to be provided by the IWD, in cooperation with the Department of Education, the Insurance Division of the Department of Commerce, and all community colleges.

**Assumptions**

- The change to Iowa Code section 85.34(2)(m) pertaining to injuries to shoulders will result in an estimated reduction to benefit payments of 68.0% (\$760,000) for the estimated 176 State shoulder injuries each year. This does not include the new Training Program costs.
- The change to Iowa Code section 85.34(2)(u) pertaining to permanent partial disability injuries to the body as a whole will result in an estimated reduction to benefit payments of 10.0% (\$1.0 million) for those injuries.
- The change to Iowa Code section **535.3(1)** pertaining to a decrease in the interest calculated on workers' compensation payments will reduce the annual interest rate by an estimated 5.5%, resulting in an estimated reduction of \$60,000.
- The maximum Training Program payment of \$15,000 each will be reached for each participating employee.
- Approximately 180 State employees sustain shoulder injuries each year, approximately 60 of whom would qualify and participate in the Training Program.
- The IWD Department will need an additional clerk specialist to address additional petitions for review and other legal documents due to the multiple changes to Iowa law.
- The IWD will need an additional insurance program specialist to address additional inquiries and to update multiple forms and publications due to the multiple changes to Iowa law.
- The IWD will need an additional deputy workers' compensation commissioner to address rulemaking and increased litigation due to the multiple changes to Iowa law.
- The additional IWD staff will be hired in the last quarter of FY 2017.

### **Fiscal Impact**

The Bill will decrease workers' compensation payments from the Workers' Compensation Fund by an estimated \$1.8 million annually beginning in FY 2018. This does not include the impact of the new Training Program.

The community colleges will expend an unknown amount annually on the new Career Vocational Training and Education Program to address the needs of the specified workers who have sustained shoulder injuries. The colleges will be reimbursed by employers or the employers' insurance companies for the cost of the Program. Information on the number of workers who would qualify and participate in the Program is not currently available. Information is also not available to determine the actual cost to pay for the Training Program for an individual worker, since the costs for each degree and certificate are not the same. However, should 60 State workers utilize the full \$15,000 training allowance, the cost to the Workers' Compensation Fund would be \$900,000.

#### **Estimated Impact on the Workers' Compensation Fund**

<b>Job Class</b>	<b>FY 2018</b>	<b>FY 2019</b>
Shoulder Injuries	\$ 760,000	\$ 760,000
Body as a Whole Injuries	1,000,000	1,000,000
Interest Rate Change	60,000	60,000
Training Program	-900,000	-900,000
<b>Total</b>	<b>\$ 920,000</b>	<b>\$ 920,000</b>

The Bill will increase the General Fund cost to the IWD by an estimated \$50,000 for FY 2017 and by an estimated \$205,000 annually beginning in FY 2018. This includes salaries and support for the following additional 3.0 full-time equivalent (FTE) positions:

#### **IWD Estimated Costs**

<b>Job Class</b>	<b>FY 2017</b>	<b>FY 2018</b>
Clerk Specialist	\$ 10,000	\$40,000
Insurance Program Specialist	15,000	61,000
Deputy Workers' Compensation Commissioner	25,000	104,000
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 205,000</b>
<b>FTE Positions</b>	<b>3.0</b>	<b>3.0</b>

The IWD has not provided a response to requests for information on the fiscal impact of the changes made by the House, including the career and training evaluation and reporting requirements.

Information is not available for estimates on any potential indirect impact the Bill might have on social programs or State revenues. Pursuant to the [LSA's Fiscal Note Information Guide](#), Fiscal Notes do not include analysis related to secondary impacts such as economic multipliers and indirect or induced effects.

**Sources**

Iowa Department of Administrative Services  
Iowa Department of Workforce Development  
Iowa Association of School Boards  
Iowa Insurance Division  
Department of Education  
Department of Human Services

/s/ Holly M. Lyons

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March 20, 2017

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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