

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

**SENATE, No. 782**

## **STATE OF NEW JERSEY 218th LEGISLATURE**

DATED: OCTOBER 3, 2018

### **SUMMARY**

- Synopsis:** Increases workers' compensation for loss of hand or foot; requires Commissioner of Labor and Workforce Development to study effectiveness of workers' compensation program.
- Type of Impact:** Indeterminate, potentially insignificant, increase in costs to the State and local units.
- Agencies Affected:** Local units and various State agencies.

#### **Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>		Indeterminate	
<b>Local Cost</b>		Indeterminate	

- The Office of Legislative Services (OLS) notes that this bill may cause an indeterminate, likely insignificant, increase in costs to State and local units due to the increased amount of workers' compensation paid in certain cases, and due to the bill's provisions prohibiting an award of permanent total disability from barring an additional amount for certain amputations from being added to the award.
- The OLS also notes that the Department of Labor and Workforce Development may incur indeterminate costs associated with the study of the State's workers' compensation system, which is required to be prepared and submitted one year after the bill's effective date and every five years thereafter.

### **BILL DESCRIPTION**

This bill increases the amount of workers' compensation paid in certain cases as follows:

1. For the loss of a thumb, the award of workers' compensation shall be calculated based on a maximum of 80 weeks of compensation (currently 75);
2. For the loss of a first finger (index finger), the award of workers' compensation shall be

calculated based on a maximum of 60 weeks of compensation (currently 50);

3. For the loss of a second finger, the award of workers' compensation shall be calculated based on a maximum of 50 weeks of compensation (currently 40);

4. For the loss of a third finger, the award of workers' compensation shall be calculated based on a maximum of 40 weeks of compensation (currently 30);

5. For the loss of a fourth finger (little finger), the award of workers' compensation shall be calculated based on a maximum of 30 weeks of compensation (currently 20);

6. For the loss of a hand, the award of workers' compensation shall be calculated based on a maximum of 260 weeks of compensation (currently 245);

7. If a loss of function of a hand is determined to be a 25 percent or more loss of use, the award of workers' compensation shall be calculated based on a maximum of 300 weeks of compensation for a 100 percent loss of function;

8. For the loss of a foot, the award of workers' compensation shall be calculated based on a maximum of 250 weeks of compensation (currently 230); and

9. If a loss of function of a foot is determined to be a 25 percent or more loss of use, the award of workers' compensation shall be calculated based on a maximum of 285 weeks of compensation for a 100 percent loss of function.

The bill prohibits an award of permanent total disability from barring an additional award for certain amputations, and provides the amount of the additional reward is not subject to subrogation, as it is not considered to be a payment of compensation except for rating purposes.

Under current law, in the case of the death of a person receiving payments for permanent injury from any cause other than the accident or occupational disease, the remaining payments are required to be paid to the deceased person's dependents or, if no dependents, the remaining amount due, but not exceeding \$3,500, is required to be paid in a lump sum to the proper person for burial and funeral expenses. The bill increases the maximum amount payable for burial and funeral expenses from \$3,500 to \$5,000.

The bill also requires the Commissioner of Labor and Workforce Development to study, in consultation with the Commissioner of Banking and Insurance, the State's workers' compensation system and make recommendations that will help foster and maintain an efficient, effective and well-balanced workers' compensation program that is equally responsive to the needs of both the State's workforce and the employer community. The commissioner will submit a study, with recommendations, to the Governor and the Legislature not later than one year after the effective date of this bill and every five years thereafter.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS notes that this bill may cause an indeterminate, likely insignificant, increase in costs to State and local units due to the increased amount of workers' compensation paid in certain cases. The impact of the bill's cost will depend upon the increased amount of worker's compensation paid for the loss of a thumb; any finger; hand; a thumb and first and second fingers (on one hand) or four fingers (on one hand); or the loss of a foot. The cost will also depend on

the number of cases in which an individual is found to have lost more than 25 percent of the use of a hand or foot and the increased settlement that is paid by the State and local units as a result.

As shown in Table 1, the OLS computed the maximum of workers' compensation a person receives given the specific injury under current law, compared to what the person would receive under the bill.

<b>Table 1: Workers' Compensation per Injured Worker and Type of Injury</b>				
	<i>Current Law @ 245 weeks</i>	<i>S-782 (1R) First 260 weeks</i>	<i>S-782 (1R) Increase payment of 245- 260 weeks</i>	<i>Loss of Hand Percent Change from Current Law and S-782 (1R)</i>
Loss of Hand	\$135,415	\$143,705	\$8,291	6%
	<i>Current Law @ 230 weeks</i>	<i>S-782 (1R) First 250 weeks</i>	<i>S-782 (1R) Increase payment of 230- 250 weeks</i>	<i>Loss of Foot Percent Change from Current Law and S-782 (1R)</i>
Loss of Foot	\$112,999	\$138,178	\$25,179	22%
	<i>Current Law</i>	<i>S-782 (1R)</i>	<i>Percent Change</i>	
Loss of Thumb	\$18,424	\$19,652	7%	
Loss of First Finger	\$12,283	\$14,739	20%	
Loss of Second Finger	\$9,826	\$12,283	25%	
Loss of Third Finger	\$7,370	\$9,826	33%	
Loss of Fourth Finger	\$4,913	\$7,370	50%	
	<i>S-782 (1R) 300 weeks</i>	<i>S-782 (1R) Increase payment of 245-300 weeks</i>	<i>Loss of Hand Percent Change from Current Law and S-782 (1R)</i>	
25% Loss of Hand Function or Greater	\$184,238	\$48,823	36%	
	<i>S-782 (1R) 285 weeks</i>	<i>S-782 (1R) Increase payment of 230-285 weeks</i>	<i>Loss of Foot Percent Change from Current Law and S-782 (1R)</i>	
25% Loss of Foot Function or Greater	\$175,026	\$62,027	55%	

For purposes of illustration, if enacted, the bill may increase State and local units' expenditures for compensation of a worker who loses a hand, or thumb and first and second fingers (on one hand) or four fingers (on one hand) by 6 percent or about \$8,300. However, if the worker is found to have lost more than 25 percent of the use of a hand, for compensation weeks 245-300, the increase in costs to the State and local units would be 36 percent or \$48,823, as shown in Table 1.

The OLS further notes that, if enacted, the bill may have an indeterminate, likely insignificant, increase in costs to State and local units due to the bill's provisions on prohibiting an award of permanent total disability from barring an additional amount for certain amputations from being added to the award.

Under the bill, when a worker who does not have any dependents dies from any cause other than the accident or occupational disease during the period of payments for permanent injury, the remaining amount due, but not exceeding \$5,000, will be paid for burial and funeral expenses,

which is an increase of \$1,500 over current law. The OLS notes that the increase in the payment for burial and funeral services may have an indeterminate, likely insignificant, increase in State and local units' expenditures.

The OLS also notes that the Department of Labor and Workforce Development may incur indeterminate costs associated with the study of the State's workers' compensation system required to be prepared and submitted one year after the bill's effective date and every five years thereafter.

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).