

# C94I00 Subsequent Injury Fund

## Program Description

The Subsequent Injury Fund (SIF) compensates injured workers whose pre-existing injuries, diseases, or congenital conditions are substantially worsened by a current injury. SIF receives special funds from an assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements. The assessment was reduced from 6.5% to 5.5% for fiscal 2021 only by Chapter 495 of 2020.

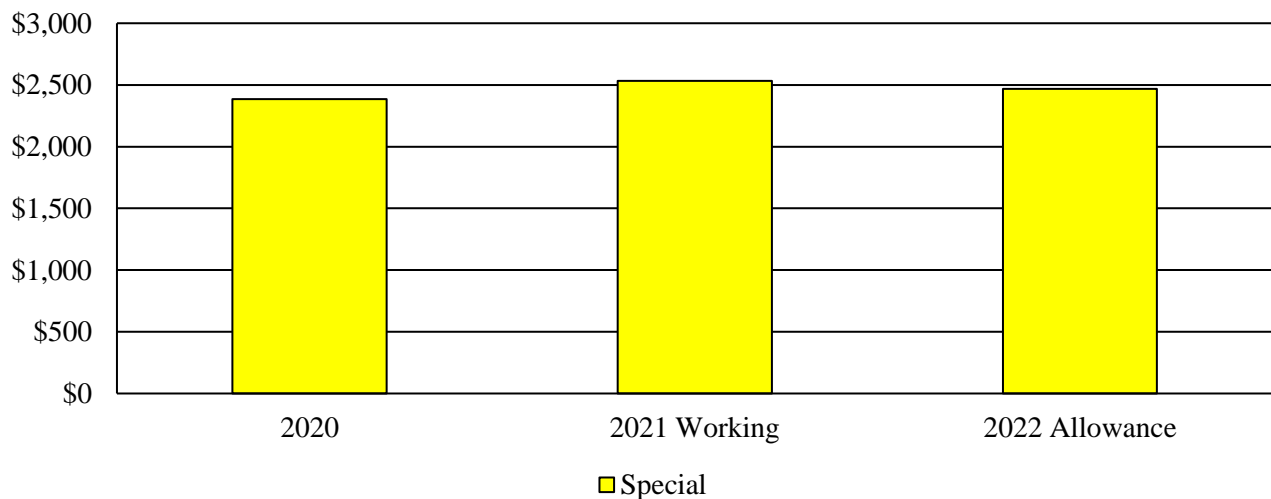
The purpose of SIF is to encourage the employment of disabled individuals by limiting an employer's liability should a subsequent occupational injury render an individual permanently disabled or result in death. Employers or their insurers are liable only for damage caused by the current workplace injuries. SIF incurs the additional liability for damage resulting from the combined effects of all injuries and conditions. The SIF mission addresses the need to:

- efficiently defend SIF resources against inappropriate use;
- provide monetary benefits to qualified disabled workers injured on the job in accordance with awards passed by the Workers' Compensation Commission (WCC); and
- maintain the adequacy and integrity of the SIF fund balance.

## Operating Budget Summary

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**Fiscal 2022 Budget Decreases \$65,283, or 2.6%, to \$2.5 Million**  
(\$ in Thousands)



Note: Cost-of-living adjustments for fiscal 2021 and 2022 are not reflected.

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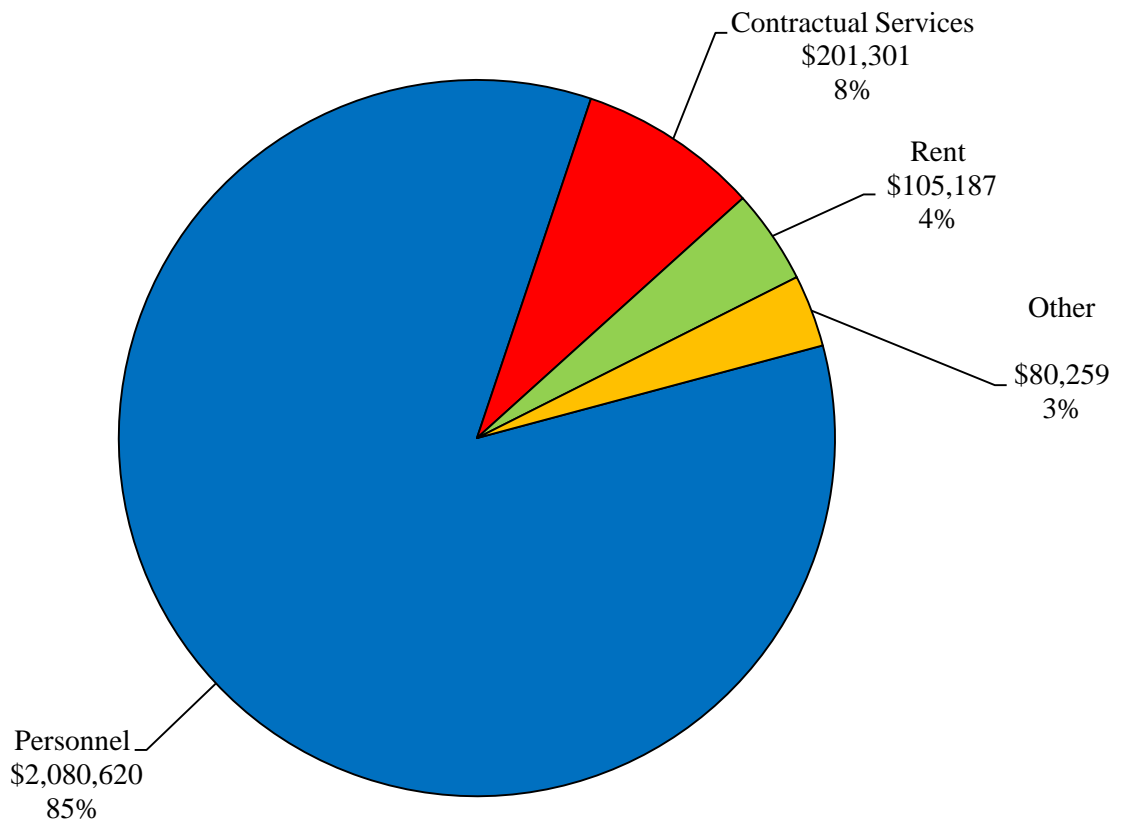
Phone (410) 946-5530

## Fiscal 2022 Overview of Agency Spending

SIF’s costs are driven almost entirely by personnel, as shown in **Exhibit 1**. Of the agency’s \$2.5 million fiscal 2022 allowance, \$2.1 million, or 85%, is for personnel.

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**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2022 Allowance**



Source: Governor’s Fiscal 2022 Budget Books

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## Proposed Budget Change

The fiscal 2022 allowance for SIF is barely changed from the fiscal 2021 working appropriation, as shown in **Exhibit 2**. The largest change is due to a one-time audit contract of \$65,000 in fiscal 2021.

**Exhibit 2**  
**Proposed Budget**  
**Subsequent Injury Fund**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Reimbursable Fund</b>	<b>Total</b>
Fiscal 2020 Actual	\$2,383	\$1	\$2,384
Fiscal 2021 Working Appropriation	2,533	0	2,533
Fiscal 2022 Allowance	<u>2,467</u>	<u>0</u>	<u>2,467</u>
Fiscal 2021-2022 Amount Change	-\$65	\$0	-\$65
Fiscal 2021-2022 Percent Change	-2.6%		-2.6%

<b>Where It Goes:</b>	<b>Change</b>
<b>Personnel Expenses</b>	
Unemployment compensation .....	\$4
Employee and retiree health insurance .....	2
Retirement contributions.....	-3
Other fringe benefit adjustments.....	1
<b>Other Changes</b>	
Fiscal 2021 actuarial study .....	-64
Contractual personnel .....	-9
Other changes .....	4
<b>Total</b>	<b>-\$65</b>

Note: Numbers may not sum to total due to rounding.

*C94100 – Subsequent Injury Fund*

***Personnel Data***

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	<b><u>FY 20</u></b> <b><u>Actual</u></b>	<b><u>FY 21</u></b> <b><u>Working</u></b>	<b><u>FY 22</u></b> <b><u>Allowance</u></b>	<b><u>FY 21-22</u></b> <b><u>Change</u></b>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/20	0.00	n/a
Vacancies Above (Below) Turnover	0.00	

## Key Observations

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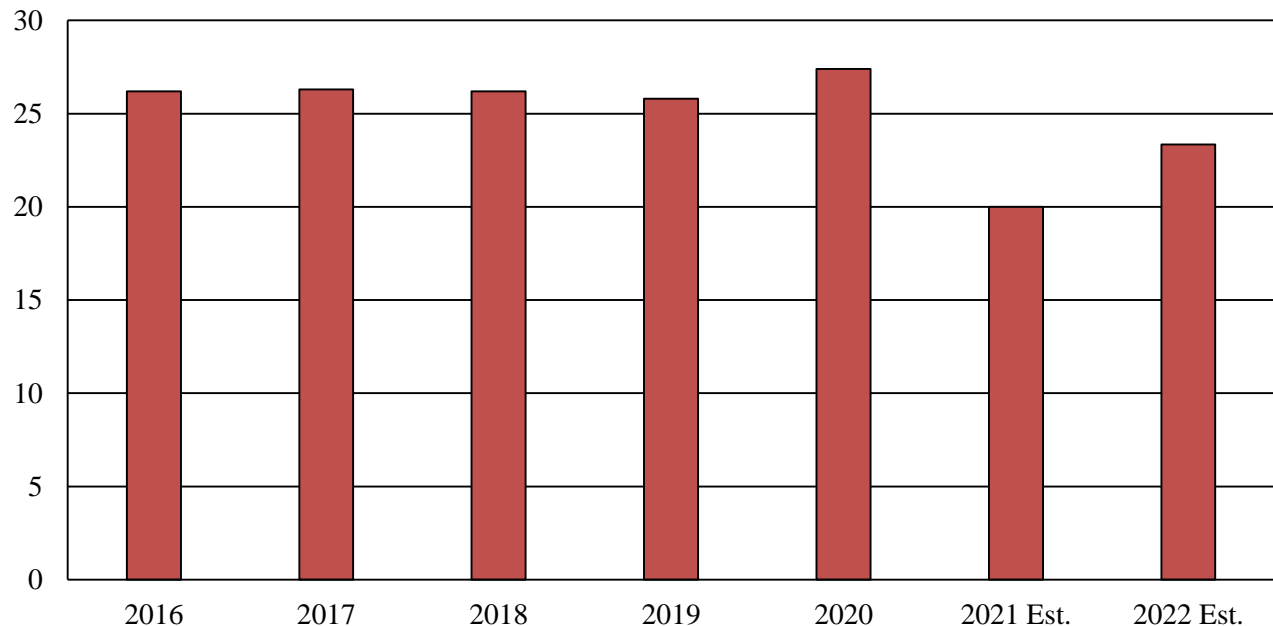
### 1. Revenue Reduced by Assessment Change, Hearing Cancellations

SIF receives special funds from an assessment on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. Chapter 495 temporarily reduced the size of the assessment from 6.5% to 5.5% for fiscal 2021. The funds were diverted to assist the Uninsured Employers’ Fund with its low fund balance.

As shown in **Exhibit 3**, estimated fiscal 2021 assessment revenues are expected to be approximately \$7.4 million, or 27%, lower than fiscal 2020 assessment revenues. The percentage point decrease in the assessment is responsible for approximately \$4.2 million of the reduction, while other causes, including the cancellation of WCC hearings due to the COVID-19 pandemic, are responsible for the remainder of the reduction.

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**Exhibit 3**  
**Subsequent Injury Fund Assessment Revenue**  
**Fiscal 2016-2022 Est.**  
**(\$ in Millions)**



Source: Subsequent Injury Fund

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*C94100 – Subsequent Injury Fund*

In addition to providing for the agency’s operating expenses, the assessment is designed to build reserves for the payment of benefits to qualified disabled workers injured on the job in accordance with awards approved by WCC. **Exhibit 4** shows the balance in the fund since the end of fiscal 2010.

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**Exhibit 4**  
**Subsequent Injury Fund History**  
**Fiscal 2010-2021 Est.**

<u>Fiscal Year</u>	<u>Balance</u>	<u>Percent Change</u>
2010	\$70,754,896	8.24%
2011	73,025,353	3.21%
2012	78,107,299	6.96%
2013	80,989,370	3.69%
2014	81,243,776	0.31%
2015	82,185,258	1.16%
2016	85,259,943	3.74%
2017	90,670,459	6.35%
2018	95,294,285	5.10%
2019	100,509,872	5.47%
2020	106,783,917	6.24%
2021 Est.	105,030,972	-1.64%

Source: Subsequent Injury Fund

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Fund growth results when revenue from assessments exceeds payments from the fund and agency expenses. The fund has grown at an average annual rate of 3.7% over the last decade, with a fiscal 2021 closing balance estimated to be \$105 million, the first decline in the fund balance in at least a decade. SIF holdings are intended to provide the source of capital that offsets future liabilities whose value is calculated periodically by an actuarial study. An actuarial study issued in 2016 found that SIF had liabilities between \$195 million and \$385.5 million, depending on assumptions about the mortality of recipients and discount rate. SIF’s goal is to eliminate its unfunded liabilities.

## 2. Increased Costs Per Claim Trend Continues

One gauge of administrative productivity is operating cost per claim. Different cases merit different costs in terms of medical exams, depositions, and other legal fees; **Exhibit 5** shows the average cost per claim. The average cost per claim has been on a steady upward trajectory since fiscal 2014. In fiscal 2020, the average cost per claim was \$3,546, approximately 75% higher than in fiscal 2014. While caseloads have declined, payment rates have increased, which leads to higher SIF costs for negotiated settlement agreements.

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**Exhibit 5**  
**Subsequent Injury Fund Administrative Costs**  
**Fiscal 2014-2022 Est.**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 Est.</u>	<u>2022 Est.</u>
Operating Budget Cost Per Resolved Claim	\$2,033	\$2,276	\$2,477	\$2,820	\$2,792	\$3,100	\$3,546	\$3,743	\$3,671
Ratio of Fund Expenditures to Total Collections	0.992:1	0.965:1	0.887:1	0.804:1	0.832:1	0.812:1	0.783:1	1.17:1	1.17:1

Source: Governor’s Fiscal 2022 Budget Books

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The ratio of expenditures to collections is expected to be above 1:1 in fiscal 2021 and 2022, which would lead to a declining fund balance.

***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.



**Appendix 1  
Object/Fund Difference Report  
Subsequent Injury Fund**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	17.00	17.00	17.00	0.00	0%
<b>Total Positions</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 2,064,680	\$ 2,076,224	\$ 2,080,620	\$ 4,396	0.2%
02 Technical and Special Fees	42,532	98,000	89,000	-9,000	-9.2%
03 Communication	15,571	16,800	16,800	0	0%
04 Travel	14,432	26,500	26,500	0	0%
08 Contractual Services	95,704	176,080	112,301	-63,779	-36.2%
09 Supplies and Materials	19,044	9,500	11,600	2,100	22.1%
10 Equipment – Replacement	2,748	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0%
13 Fixed Charges	116,384	116,746	117,746	1,000	0.9%
14 Land and Structures	510	800	800	0	0%
<b>Total Objects</b>	<b>\$ 2,383,605</b>	<b>\$ 2,532,650</b>	<b>\$ 2,467,367</b>	<b>-\$ 65,283</b>	<b>-2.6%</b>
<b>Funds</b>					
03 Special Fund	\$ 2,382,881	\$ 2,532,650	\$ 2,467,367	-\$ 65,283	-2.6%
09 Reimbursable Fund	724	0	0	0	0.0%
<b>Total Funds</b>	<b>\$ 2,383,605</b>	<b>\$ 2,532,650</b>	<b>\$ 2,467,367</b>	<b>-\$ 65,283</b>	<b>-2.6%</b>

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.