



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0516.01: Move workers' compensation court to judicial branch

Primary Sponsor: Ken Walsh Status: As Introduced

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$1,036,795	\$288,655	\$297,055	\$308,232
State Special Revenue (02)	\$273,838	\$273,081	\$262,177	\$251,110
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$500,000	\$500,000	\$500,000	\$500,000
Net Impact	<u>(\$1,036,795)</u>	<u>(\$288,655)</u>	<u>(\$297,055)</u>	<u>(\$308,232)</u>
General Fund Balance				

Description of fiscal impact

HB 516 transfers the workers' compensation court from the Department of Labor and Industry to the Judicial Branch. Funding for the workers' compensation court will be transferred to an account within the state special revenue fund that will be used for the purpose of administering the court. The fiscal impact would be the difference between the transfer amount specified in the bill and the actual projected cost of operating the workers' compensation court.

FISCAL ANALYSIS

Assumptions

Department of Labor and Industry

1. The department will transfer 5.00 FTE that currently make up the worker's compensation court to the Judicial Branch as of July 1, 2025. It is assumed that the proposed level of funding for the WCC will be approved in HB 2. Therefore, the corresponding personal services, operating costs and debt service will be reduced a total of \$726,162 in FY 2026, \$726,919 in FY 2027. It is assumed that costs are increased by 1.5% each year in FY 2028 and FY 2029.
2. Section 3(2) establishes a cash transfer of \$500,000 from the Department of Labor and Industry at the beginning of each fiscal year to the Judicial Branch to fund the court. See technical note regarding this section of HB 516.

Judicial Branch

3. The transfer of the workers' compensation court will be effective July 1, 2025.
4. The Judicial Branch assumes the appropriation authority and 5.00 FTE included in the Department of Labor and Industry's budget proposal for the workers' compensation court program for the 2027 Biennium will be transferred to the Judicial Branch.

5. It is assumed that the proposed HB 2 budget will be approved and transferred as follows: personal services of \$548,278 in FY 2026, and \$549,092 in FY 2027; operating costs of \$128,367 in FY 2026, and \$126,310 in FY 2027; and debt service costs of \$51,915 in FY 2026 and FY 2027.
6. The workers' compensation court will be integrated into the Judicial Branch FullCourt Enterprise case management software and E-Filing systems.
7. One-time costs for implementation, data migration, and E-Filing integration are estimated at \$757,696. Estimates are based on conversations and previous estimates provided by the systems' vendors. Implementation and integration will be completed by July 1, 2026, with the one-time vendor payments in FY 2026.
8. On-going annual costs, which include, software maintenance and support, database storage costs, and public access application costs are estimated at \$10,799. These costs will start in FY 2027.
9. The workers' compensation court is a specialty court that will require a 0.50 FTE Technical Coordinator/System Administrator to provide ongoing IT support. The Judicial Branch estimates a start date of July 1, 2025, for a cost of \$50,539 in each FY 2026 and FY 2027
10. Total costs by expenditure type are as follows: personal services costs of \$598,817 in FY 2026 which includes \$548,278 from DLI plus \$50,539 Judicial Branch IT FTE; \$599,631 in FY 2027 which includes \$549,092 from DLI and \$50,539 Judicial Branch IT FTE; operating costs of : \$886,063 in FY 2026 which includes \$128,367 from DLI and \$757,696 Judicial Branch IT one-time-only; \$137,109 in FY 2027 which includes \$126,310 from DLI and \$10,799 Judicial Branch IT ongoing costs; debt service costs of \$51,915 in each year transferred from DLI.
11. Personal services and operating for FY 2028 and FY 2029 have been increased by 1.5% over the previous year to account for inflation.
12. Section 3(2) establishes a cash transfer of \$500,000 from the Department of Labor and Industry at the beginning of each fiscal year to fund the court. See technical note regarding this section of HB 516.
13. It is assumed that costs not covered by the specified transfer authority will be covered by general fund as follows: \$1,036,795 in FY 2026, \$288,655 in FY 2027, \$297,055 in FY 2028 and \$308,232 in FY 2029.

Public Employees Retirement Board

14. The workers' compensation judge would reside under the Judicial Branch instead of the Department of Labor and Industry.
15. There is currently one workers' compensation judge who would be eligible to choose to participate in the Judges' Retirement System.
16. A workers' compensation judge can elect in writing to remain in the Public Employees' Retirement System on or before October 1, 2025.
17. If all assumptions are met, there will be no actuarial impact to the Judges' Retirement System.

Fiscal Analysis Table

Department of Labor and Industry				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	-5.00	-5.00	-5.00	-5.00
TOTAL Fiscal Impact	-5.00	-5.00	-5.00	-5.00
Expenditures				
Personal Services	(\$548,278)	(\$549,092)	(\$557,328)	(\$565,688)
Operating Expenses	(\$125,969)	(\$125,912)	(\$127,801)	(\$129,718)
Transfers	\$500,000	\$500,000	\$500,000	\$500,000
Debt Service	(\$51,915)	(\$51,915)	(\$52,694)	(\$53,484)

Fiscal Note Request - As Introduced

(continued)

TOTAL Expenditures	<u>(\$226,162)</u>	<u>(\$226,919)</u>	<u>(\$237,823)</u>	<u>(\$248,890)</u>
Funding of Expenditures				
State Special Revenue (02)	<u>(\$226,162)</u>	<u>(\$226,919)</u>	<u>(\$237,823)</u>	<u>(\$248,890)</u>
TOTAL Funding of Expenditures	<u>(\$226,162)</u>	<u>(\$226,919)</u>	<u>(\$237,823)</u>	<u>(\$248,890)</u>
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
State Special Revenue (02)	<u>\$226,162</u>	<u>\$226,919</u>	<u>\$237,823</u>	<u>\$248,890</u>

Judiciary

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	5.00	5.00	5.00	5.00
TOTAL Fiscal Impact	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>
Expenditures				
Personal Services	\$598,817	\$599,631	\$607,868	\$616,986
Operating Expenses	\$886,063	\$137,109	\$137,272	\$139,331
Debt Service	\$51,915	\$51,915	\$51,915	\$51,915
TOTAL Expenditures	<u>\$1,536,795</u>	<u>\$788,655</u>	<u>\$797,055</u>	<u>\$808,232</u>
Funding of Expenditures				
General Fund (01)	\$1,036,795	\$288,655	\$297,055	\$308,232
State Special Revenue (02)	\$500,000	\$500,000	\$500,000	\$500,000
TOTAL Funding of Expenditures	<u>\$1,536,795</u>	<u>\$788,655</u>	<u>\$797,055</u>	<u>\$808,232</u>
Revenues				
State Special Revenue (02)	\$500,000	\$500,000	\$500,000	\$500,000
TOTAL Revenues	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$1,036,795)	(\$288,655)	(\$297,055)	(\$308,232)
State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Expenditures				
Personal Services	\$50,539	\$50,539	\$50,540	\$51,298
Operating Expenses	\$760,094	\$11,197	\$9,471	\$9,613
Transfers	\$500,000	\$500,000	\$500,000	\$500,000
Debt Service	\$0	\$0	(\$779)	(\$1,569)
TOTAL Expenditures	<u>\$1,310,633</u>	<u>\$561,736</u>	<u>\$559,232</u>	<u>\$559,342</u>
Funding of Expenditures				
General Fund (01)	\$1,036,795	\$288,655	\$297,055	\$308,232

Fiscal Note Request - As Introduced

(continued)

State Special Revenue (02)	\$273,838	\$273,081	\$262,177	\$251,110
TOTAL Funding of Expenditures	\$1,310,633	\$561,736	\$559,232	\$559,342
Revenues				
State Special Revenue (02)	\$500,000	\$500,000	\$500,000	\$500,000
TOTAL Revenues	\$500,000	\$500,000	\$500,000	\$500,000
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$1,036,795)	(\$288,655)	(\$297,055)	(\$308,232)
State Special Revenue (02)	\$226,162	\$226,919	\$237,823	\$248,890

Technical Concerns
Judiciary

1. Section 3 of HB 516 requires the department of labor and industry to transfer \$500,000 from the workers' compensation administration fund to the workers' compensation court fund. The amount of cash to be transferred from the department of labor to the judicial branch will be insufficient to cover the costs of the workers' compensation court. The transfer language needs to ensure annual transfers are sufficient to cover the costs of the workers' compensation court as the Judicial Branch has no other funding sources available to cover the costs.

Department of Labor and Industry

2. Section 3 (2) should be amended to state: "By July 15 of fiscal year 2026 and fiscal year 2027, the department of labor and industry shall transfer an amount commensurate to support normal personal services, operations, and debit services expenditures."

3. Since WCC Program 09 would be removed from DLI, there would only be transfer authority for the agency. Therefore, the HB 2 appropriation and transfer authority would need to be established within the Centralized Service Division (CSD) of DLI.

Heather M. Walker 2/22/2025
Sponsor's Initials Date

RO 2/21/2025
Budget Director's Initials Date