

FY 2013

PERFORMANCE BUDGET

OFFICE OF WORKERS' COMPENSATION PROGRAMS

OVERVIEW

OFFICE OF WORKERS' COMPENSATION PROGRAMS

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OFFICE OF WORKERS' COMPENSATION PROGRAMS

OVERVIEW

Introduction

As a result of job-related injury or illness, workers covered by the Office of Workers' Compensation Programs (OWCP) are faced with potentially devastating economic, health and other personal costs. These costs arise from:

- Interruption of income while out of work;
- Loss of income if permanently disabled and unable to work or, for survivors, due to death of the employee;
- Temporary or permanent reduced capacity to return to work;
- Temporary or permanent dislocation from prior employment;
- Reduced capacity to find new employment;
- Lingering need for ongoing medical care.

Mitigation of these problems is the focus of the OWCP performance mission. To do that, OWCP implements four Federal workers' compensation statutes providing benefits and responsibly administers the benefit funds authorized for these purposes:

- The Federal Employees' Compensation Act (FECA) program provides wage-loss compensation, medical treatment, return-to-work assistance and vocational rehabilitation to civilian employees of the Federal Government injured at work and to certain other designated groups.
- The Longshore and Harbor Workers' Compensation Act program provides benefits to injured private sector workers engaged in certain maritime and related employment. Longshore also provides benefits to overseas contractors covered by the provisions of the Defense Base Act (DBA).
- The Black Lung Benefits Act provides monetary compensation and medical benefits to totally disabled miners suffering from coal mine pneumoconiosis stemming from mine employment, and monetary benefits to their dependent survivors.
- The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) provides compensation and medical benefits to employees or survivors of employees of the Department of Energy (DOE), contractors or subcontractors with DOE, who have been diagnosed with cancer due to exposure to radiation or toxic substances.

OWCP also includes the Division of Information Technology Management and Services (DITMS) which provides information technology General Services Support (GSS), which is shared by OWCP as well as the Wage and Hour Division (WHD), the Office of Federal Contract Compliance Programs (OFCCP), and the Office of Labor Management Standards (OLMS). DITMS maintains common platforms for database management and a communications network to ensure that system operating expenses are cost-efficient; provides user technical support; and supports the administration services contracts for shared operations uses. DITMS ensures that the common architecture remains reliable and robust and is capable of meeting the programs' functional requirements and performance standards.

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The funding accounts managed by OWCP include:

- **Salaries and Expenses (S&E) Federal Programs for Workers' Compensation:** Provides funding, through appropriation and transfers of Trust Funds, for the administration of the FECA, Longshore and Harbor Workers' Compensation Act (LHWCA), OWCP's Division of Information Technology Management and Services (DITMS), and for OWCP's administration of the Black Lung Disability Trust Fund.
- **Special Benefits:** Finances payments to Federal civilians and Longshore and Harbor Workers and their dependents for work-related injuries and illnesses. Under legislative amendments to extensions of FECA, benefits are also paid to certain groups such as War Hazards claimants, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers.
- **Special Benefits for Disabled Coal Miners:** Finances income maintenance to miners suffering from Black Lung disease and eligible survivors for claims filed under Part B of the Black Lung Benefits Act between December 30, 1969, and June 30, 1973, and associated administrative costs; and
- **Energy Employees Occupational Illness Compensation Program (EEOICP):** Part B and Part E provide compensation to Department of Energy (DOE) employees and their survivors, as well as contractors, for illness or death stemming from work in the (DOE) nuclear weapons complex.
- **Black Lung Disability Trust Fund (BLDTF):** established under the Black Lung Benefits Reform Act of 1977 to provide for payment of Part C benefits (income maintenance and medical payments to miners suffering from Black Lung disease and eligible survivors), administrative expenses, and interest on repayable advances.
- **The Panama Canal Commission (PCC) Compensation Fund:** established to provide for the accumulation of funds to meet the Commission's FECA workers' compensation, cost obligations that extend beyond the dissolution of the PCC on December 31, 1999, under the Panama Canal Treaty of 1977. This Fund was established in conjunction with the transfer of the administration of the FECA program from the Commission to the Department of Labor (DOL), OWCP effective January 1, 1989.
- **The Special Workers' Compensation Expenses Fund:** consists of amounts received from employers pursuant to an annual assessment of the industry and for the death of an employee where no person is entitled to compensation for such death, and for fines and penalty payments under the LHWCA, as amended. Fund expenses include benefit payments in second injury cases, for vocational rehabilitation services to injured workers, and benefits for cases involving insolvency or other circumstances precluding payment by the employer.

OWCP's national office consists of the OWCP Director, Deputy Director and the directors for each of the four program divisions. In addition, strategic planning, performance monitoring, medical policy, IT capital planning, and budget formulation and execution, accounting, and administrative services are provided through the Division of Planning, Policy and Standards. As noted above, DITMS provides the GSS for OWCP and three other agencies. Six OWCP Regional Directors manage and direct the operations of district and field offices nationwide.

OWCP's FY 2013 budget submission is closely aligned with the Department of Labor strategic plan, particularly in support of Outcome Goal 4.1, Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and

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medical care for those who are unable to work, and Outcome Goal 4.2, Ensure income support when work is impossible or unavailable. Key budget themes also supported by the OWCP request include "Reducing improper payments and speeding return to work."

OWCP goals and activities focus on mitigating the potentially devastating economic, health and other personal costs to workers, their employers, and society resulting from job-related injuries and illnesses. In FY 2012 -2013, OWCP will use several priority performance measures to improve program results:

- Increase the total number of FECA claimants returned to work through Disability Management;
- In Longshore, increase the timeliness of First Report of Injuries and First Payment of Benefits by Defense Base Act Employers;
- Reduce the average time to issue initial decisions in Black Lung benefit claims to lessen the impact of income loss suffered by totally disabled coal Miners;
- In the EEOICPA program, reduce the average number of days between filing date and final decision for cases sent to NIOSH when a hearing is held.

OWCP and the Occupational Safety and Health Administration jointly direct the Administration's High Priority Goal to "Create a model return-to-work program to reduce lost production day rates by one percent per year and reduce injury and illness rates by at least four percent per year." This Goal is distinguished by its focus on Federal employers to prevent job-related injuries and illnesses and, whenever injuries or illnesses do occur, provide workers with compensation for wage loss, medical benefits, and assistance with return to work. The return to work (RTW) objective is the primary focus for OWCP. Significant challenges still remain to address the reemployment of persons who suffer more severe injuries, those with permanent disabilities, and generally those harder to reemploy and retain in new jobs. Addressing these challenges will require fundamentally new approaches and more active participation by Federal employer hiring and retention programs. Achievement of the High Priority Goal also reinforces the objectives of Executive Order 13548 to increase Federal employment of individuals with disabilities and those recovering from work-related injuries.

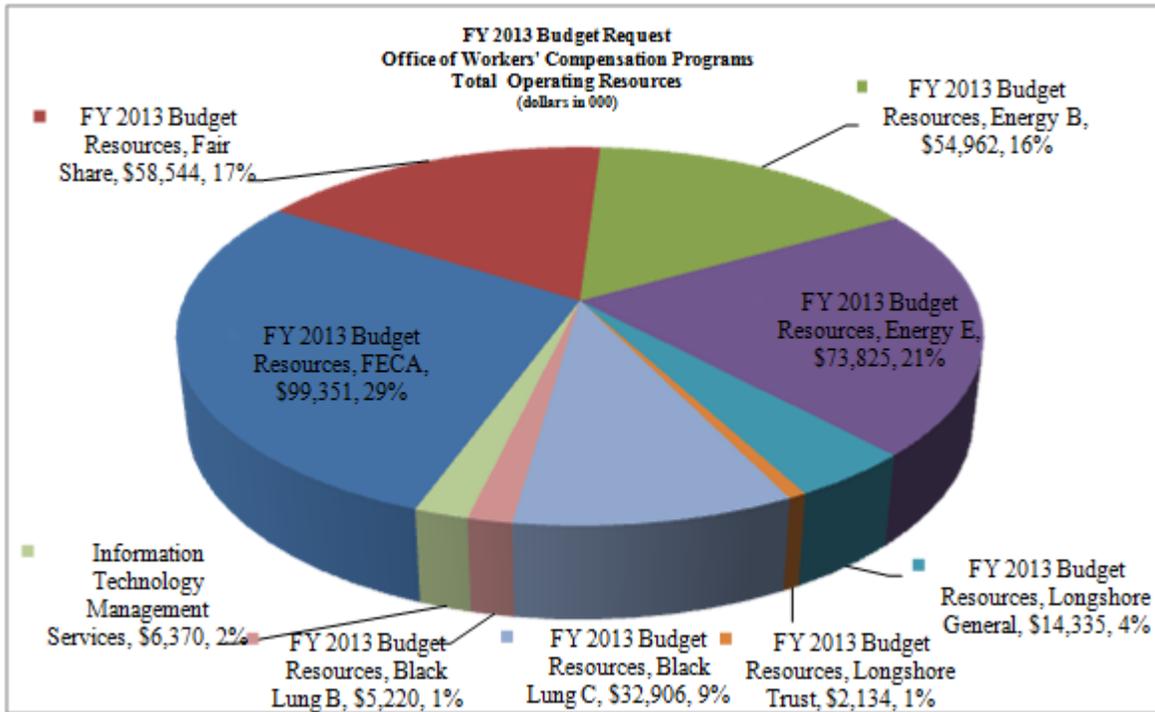
Cost Model

Total operations funding requested in FY 2013 for the Office of Workers' Compensation programs is \$347,647,000 and 1,619 FTE. These amounts consist of:

- \$120,056,000 and 863 FTE in Salaries & Expenses for FECA, Longshore General Funds and DITMS;
- \$2,134,000 and 8 FTE in Salaries & Expenses for Longshore Trust;
- \$32,906,000 and 159 FTE transferred for the Black Lung Disability Trust Fund;
- \$58,544,000 in Special Benefits "Fair Share" collections and 109 FTE;
- \$5,220,000 and 16 FTE in Special Benefits for Disabled Coal Miners account for Part B of the Black Lung Benefits Act; and

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- \$128,787,000 and 464 FTE for EEOICPA, including annual appropriations for Part B of \$54,962,000 and 219 FTE and indefinite appropriations of \$73,825,000 and 245 FTE for Part E administrations.



Legislative Reform

The FY 2013 President's Budget again includes a legislative proposal by the Department of Labor to reform the Federal Employees' Compensation Act, which has not been significantly updated in over 35 years. Also, during the First Session of the 112th Congress, both the House and the Senate (Homeland Security and Governmental Affairs Committee) have passed bills to amend the FECA. The Administration and members of Congress from both parties have called for FECA to be amended to improve return-to-work incentives and employment opportunities for Federal employees with occupational injuries and disabilities, create a more equitable benefit structure, modernize FECA operations, and strengthen program integrity. During the First Session of the 112th Congress, the House passed the Federal Workers' Compensation Modernization and Improvement Act (H.R. 2465 which amends FECA through many of the same provisions in the Administration's proposal. The Senate's latest Postal reform compromise (S.1789), last reported out of the Homeland Security and Governmental Affairs Committee also includes significant portions of the Administration's FECA reform proposal, with some key differences.

The Budget DOL's 2013 FECA reform proposal includes versions of many of the provisions currently in S. 1789, such as standardizing FECA benefit rates, establishing a "conversion benefit rate" for beneficiaries at the age of retirement, modernized benefits for burials and facial disfigurements, increased focus on return to work, data matching with the Social Security

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Administration, and recovery of particular costs. Other DOL provisions would make FECA more equitable and easier to administer, improve FECA program management, and strengthen program integrity. The Budget proposal would generate ten-year cost savings of \$536 million.

DOL's proposed reforms would also amend Section 8147 of the FECA to authorize the expenses of administering FECA to be paid from the Employees' Compensation Fund and would require all Federal agencies to pay, through the current Chargeback system, their share of costs associated with FECA program administration beginning in FY 2014. This would provide authority similar to that currently provided in Section 8147 (c) of FECA that requires certain (non-appropriated) agencies, such as the United States Postal Service, to pay their "Fair Share" of FECA program administration (portions of which have been appropriated to OWCP for FECA administration for a number of years). This provision has not been adopted in the Senate reform proposal. Charging employing agencies for the full costs of their FECA claims would provide a stronger incentive to employing agencies to prevent injuries and illnesses and collaborate with OWCP to return employees to work as soon as medically feasible.

Major savings in S. 1789 would result from reducing the benefit levels for some current and many future beneficiaries and many current and most future beneficiaries at retirement age. The most significant differences between the DOL and Senate proposals is that the new basic wage-loss compensation rate and the retirement age rate changes in the DOL proposal are prospective, while the Senate proposal makes those provisions retroactive (with some exceptions) and prospective. The basic rate of compensation in S. 1789 of 66 2/3% is also lower than the rate DOL had proposed.

S. 1789 does contain several provisions that if enacted, would create unfunded administrative costs for the program. Most significantly, the bill requires OWCP to manage a major new disability review process involving medical examinations for every FECA case shortly after a claimant has received wage-loss benefits for total disability for at least six months and at least every three years thereafter, and, in certain cases, upon request by the employing agency. This new process, as well as some of the other aspects of S. 1789, entails significant administrative costs that would need to be considered.

The Department of Labor looks forward to continuing to work with Congress to achieve successful reform of the FECA.

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TOTAL BUDGETARY RESOURCES						
FY 2011 – FY 2013						
(Dollars in Thousands)						
	FY 2011 Enacted		FY 2012 Enacted		FY 2013 Request	
	FTE ^{1/}	Activity Appropriation	FTE	Activity Appropriation	FTE	Activity Appropriation
Salaries and Expenses	1,012	\$151,134	1,021	\$150,746	1,030	\$155,096
Federal Programs for Workers' Compensation						
Budget Authority applied to General Funds	842	\$115,939	854	\$115,720	863	\$120,056
Budget Authority applied to Trust Funds	170	\$35,195	167	\$35,026	167	\$35,040
Special Benefits	108	\$2,944,693	109	\$3,231,629	109	\$3,400,082
Federal Employees' Compensation Act Offsetting Collections		\$2,761,693		\$2,881,629		\$3,004,082
<i>(FECA Fair Share, non-add)</i>	<i>108</i>	<i>\$58,364</i>	<i>109</i>	<i>\$59,488</i>	<i>109</i>	<i>\$58,544</i>
Federal Employees' Compensation Act Benefits Appropriation		\$180,000		\$347,000		\$393,000
Longshore and Harbor Workers' Compensation Benefits		\$3,000		\$3,000		\$3,000
Energy Employees Occupational Illness Compensation Program	494	\$1,377,429	464	\$1,406,490	464	\$1,388,992
Benefits (Indefinite Appropriation)		\$1,249,945		\$1,280,900		\$1,260,205
Administration, Part B	241	\$53,778	219	\$52,147	219	\$54,962
Administration, Part E (Indefinite Appropriation)	253	\$73,706	245	\$73,443	245	\$73,825
Special Benefits for Disabled Coal Miners	17	\$203,220	16	\$182,227	16	\$163,220
Benefits		\$198,000		\$177,000		\$158,000
Administration	17	\$5,220	16	\$5,227	16	\$5,220
Black Lung Disability Trust Fund ^{2/}		\$703,897		\$770,545		\$870,797
Longshore and Harbor Workers' Special Workers' Compensation Expenses		\$139,083		\$149,000		\$149,000
Total Budgetary Resources	1,608	\$5,519,456	1,610	\$5,890,637	1,619	\$6,127,187

1/ FY 2011 reflects actual FTE.

2/ Does not include amounts transferred to Salaries & Expenses for the Division of Coal Mine Workers' Compensation.

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Secretary's Vision: "Good Jobs for Everyone"



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PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting Secretary Solis' Vision of <i>Good Jobs for Everyone</i>	Supporting Budget Activities
Strategic Goal 1 – Prepare Workers for Good Jobs and Ensure Fair Compensation	DITMS
1.1 Increase workers' incomes and narrowing wage and income inequality.	
1.2 Assure skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs.	
1.3 Help workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.	
1.4 Help middle-class families remain in the middle class.	DITMS
1.5 Secure wages and overtime.	DITMS
1.6 Foster acceptable work conditions and respect for workers' rights in the global economy to provide workers with a fair share of productivity and protect vulnerable people.	
Strategic Goal 2 – Ensure Workplaces Are Safe and Healthy	
2.1 Secure safe and healthy workplaces, particularly in high-risk industries.	DITMS
Strategic Goal 3 – Assure Fair and High Quality Work-Life Environments	
3.1 Break down barriers to fair and diverse work places so that every worker's contribution is respected.	DITMS
3.2 Provide workplace flexibility for family and personal care-giving.	DITMS
3.3 Ensure worker voice in the workplace.	DITMS
Strategic Goal 4 – Secure Health Benefits and, for Those Not Working, Provide Income Security	
4.1 Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work.	DFEC, DLHWC, DITMS
4.2 Ensure income support when work is impossible or unavailable.	DFEC, DLHWC, DCMWC, DEEOIC, DITMS
4.3 Improve health benefits and retirement security for all workers.	
Strategic Goal 5 – Assure the Production of Timely and Accurate Data on Social and Economic Conditions of Workers and their Families	
5.1 Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.	

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SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

S. Report 112-84 Page 25	The Committee notes that OWCP is taking steps to reduce costs, through automation efforts and increased use of teleconferencing among other efforts. The Committee requests that OWCP include in its fiscal year 2013 congressional budget justification information on additional steps it will take to carry out its responsibilities more cost effectively.	OWCP
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In FY 2013, OWCP will carry out its responsibilities more cost effectively through: ongoing improvements to automated systems; work process automation; enhancements to claims processing and disability case management; increased use of WebEx for meetings, hearings, and other communications; increased use of two-sided copies; revision and re-evaluation of accountability reviews; bundling of mail; analysis and monitoring of inventory and usage of Blackberry and remote access tokens; recycling of used toner cartridges and obtaining of a credit or purchase price reduction for used cartridges; and, improved version and inventory control over guidance.

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AUTHORIZING STATUTES

Public Law / Act	Legislation	Statute No. / US Code	Volume No.	Page No.	Expiration Date
PUB. L. 267, 39 Stat. 742	Federal Employees' Compensation Act, as amended.	5 U.S.C. 8101 et seq.			N/A
PUB. L. 69-803	Longshore and Harbor Workers' Compensation Act, as amended.	33 U.S.C. 901, et seq.			N/A
PUB. L. 91-173	Federal Coal Mine Health and Safety Act of 1969, (now called Federal Mine Safety and Health Act of 1977), as amended.	30 U.S.C. 901, et seq.			N/A
PUB. L. 107-275	Black Lung Consolidation of Administrative Responsibility Act, as amended.				N/A
PUB. L. 110-343	Emergency Economic Stabilization Act of 2008				N/A
PUB. L. 106-398	Energy Employees Occupational Illness Compensation Act	42 U.S.C. § 7385 et seq.			N/A
PUB. L. 108-375	Energy Employees Occupational Illness Compensation Act	42 U.S.C. § 7384 et seq.			N/A
PUB. L. 110-181	Energy Employees Occupational Illness Compensation Act	42 U.S.C. § 3116 et seq.			October 28, 2012

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Federal Workers' Compensation Programs Organization Chart

