

STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

March 25, 1982

The Honorable Harry Sieben Speaker of the House 276 State Office Building St. Paul, Minnesota 55155

Dear Speaker Sieben:

After a careful review of the provisions of H.F. 1220, I am vetoing the bill. In accordance with the provisions of Article IV, Section 23 of the Constitution of the State of Minnesota, I shall not be depositing this bill in the office of Secretary of State within 14 days after adjournment of the Legislature.

The high cost of workers' compensation in Minnesota is the most important issue which we can control affecting Minnesota's economic well-being. The significantly higher costs of workers' compensation in Minnesota compared with our neighboring states causes very major competitive problems for Minnesota business. This hurts all Minnesotans, employers and employees alike.

While H.F. 1220 nominally addresses the cost issue by mandating a 16% rate reduction, I cannot accept this bill. There is no clear evidence that the savings in the bill will even approach 16% and, in fact, I am advised that the overall impact will be little or no reduction in real workers' compensation costs. An artificial reduction in workers' compensation rates, one which cannot be substantiated, is simply unacceptable.

In early January, the Commissioner of Insurance issued a report summarizing months of study of the workers' compensation system. This report included 44 recommendations to implement changes designed to accomplish four purposes:

- 1. Return workers to productive employment sooner.
- 2. Reduce the number of claims resulting in extremely large payments where injuries are not severe.
- 3. Reduce the significance of secondary benefits in order to return balance to the system and to eliminate the inefficiency associated with their delivery.
- 4. Bring features of equity to the system and to the benefits paid to injured workers.

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To a significant extent, the bill does not achieve, and in some specifics actually impairs the achievement of, these purposes. Many of the incentives for return to work were removed from the bill. Nothing has been done to limit the number of permanent partial disability claims in spite of the fact that many more of these claims are paid in Minnesota than in almost any other state. All benefits continue to be paid based upon gross wages, which continues to discriminate against those workers with families. In short, the bill simply ignores those problems which plague the workers' compensation system.

In addition to these overall shortcomings, the bill reflects the hastiness and lack of consideration with which it was put together.

The bill is drafted so hastily as to create significant problems for employers, employees, and insurers, while virtually ensuring the continuance of undesirable litigation. Many of these changes were made without ever having been considered in a hearing or otherwise receiving the benefit of public input. For example, a new rehabilitation fund is created in spite of the fact that such a fund was never proposed or discussed prior to the passage of the bill nor has the need for the fund ever been suggested. The bill also reverses changes made during the 1981 legislative session without any demonstration of the existence of a problem. For example, while permanent partial benefits were payable only when an injured employee returned to work, the bill provides these benefits at the start of rehabilitation. The need for or potential impact of such a change was never publicly discussed or examined.

The bill contains provisions for a competitive state fund to insure workers' compensation liability. This fund, which for the first two years of operation would be limited to coverage of state employees, is totally unnecessary for this purpose. The state is not now, nor has it ever been, insured for workers' compensation. The fund is of no benefit to the state, yet a substantial administrative system would be necessary to develop and charge premiums to the state agencies and perform the other functions of an insurance system, apparently to make the system the testing ground for the new fund. While no competitive workers' compensation fund has been initiated in any state for nearly 50 years, workers' compensation insurance problems and complexities have changed dramatically during this time. Given this circumstance, I do not believe that the state fund aspect of the bill holds reasonable promise of offering a legitimate cost saving alternative to the insurance and self-insurance options that already exist.

The recommendations I initially made in January as part of my job creation initiatives were a well-developed, comprehensive approach to this issue. Yet the bill falls far short of this goal. We cannot allow ourselves to be satisfied with substantially less than a complete solution to this serious problem if we are going to continue to be able to provide a growing, healthy economy for our citizens.

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Unfortunately, H.F. 1220 also contains language which would make necessary and overdue changes to our unemployment insurance laws. These changes are essential if the state is to continue paying benefits on a timely basis to unemployed workers.

Sincerely,

LBERT H. QUIE

GOVERNOR