

Workers' Comp crisis over, official says

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The Manchin administration's financial adviser says there's no longer a state Workers' Compensation cash flow crisis, prompting a labor spokesman to question why the state needs to issue bonds.

In January, the Legislature approved a plan to issue up to \$1.5 billion in bonds to finance the Workers' Compensation Commission's unfunded liability.

Last month, Gov. Joe Manchin said the bond issue actually would be less than \$1 billion. And on Thursday, Thomas Huestis said the bond issue will be "significantly less -- a lot less" than \$1 billion.

Huestis is senior managing director of Public Resources Advisory Group, the firm hired by the Manchin administration at a rate of \$275 an hour to provide financial advice.

Huestis spoke to the state Economic Development Authority's board of directors, which then gave preliminary approval to a bond issue of up to \$1 billion.

The authority rushed to pass the bond resolution because it was originally thought the bonds must be issued before the end of the year. That's when the Workers' Compensation Commission will convert from a state agency to a private, for-profit employers' mutual insurance company.

The idea was to separate and provide the financing for the unfunded liability so the commission could become private on Jan. 1 without that debt.

But Huestis told the authority, "It looks at this point like it doesn't have to be done by the end of the year." After the meeting he explained that there appears to be enough revenue dedicated to the liabilities to pay claims for some time after the first of the year.

Huestis' firm has said it will help the state reduce the number of people receiving workers' compensation.

One way will be to offer settlements and buyouts to workers' compensation recipients.

Huestis told authority members the bond issue may be needed to finance those settlements and buyouts.

"Our projection now is, there isn't going to be a deficit," he said.

Labor spokesman Steve White, who attended the meeting, said afterward, "It's hard to take all this in, but the No. 1 one issue is, this information that there is no crisis flies in the face of everything we've been told in the last few years and in a way confirms what we've always said, which is the crisis is as much politically motivated as fiscally motivated.

"We were told before the purpose of the bond was to manage a cash flow crisis. Now they've told us there is no cash flow crisis. So there should be no bond, period."

White is director of the Affiliated Construction Trades Foundation, the research, lobbying and advertising arm of the West Virginia State Building Trades, which consists of 20,000 union construction workers from West Virginia and surrounding counties.

"This adds to everyone's frustration with a constantly shifting number," White said. "We never seem to be able to get numbers we can rely on."

Manchin spokeswoman Lara Ramsburg said after the meeting, "Because of the work that has been done in Workers' Compensation in the last nine months, they have made some significant progress. That is probably the basis behind the comments (from Huestis) today, in terms of the fact the picture is changing in a positive way.

"What the final outcome will be and what the final numbers will be are still being determined," she said. "We're hoping to have final information to present to the governor soon so a final decision can be made on how to proceed."

Ramsburg was asked if there is an effort to push more liabilities onto the private Workers' Compensation company that will begin operating Jan. 1.

"I don't think that's the intent," she said.

"The goal is not to say, 'Let's make the (bond issue) number as low as we can possibly make it just to say it's low.' The goal is to determine what the accurate number is to do the job.

"Because Workers' Comp has done such a good job over the last nine months and even before in terms of turning things around and getting a handle on their finances, the numbers are changing," she said.

"What effect those changes have is what's being worked on now. Those changes truly could not have been anticipated in January. We had to get to this point to see what progress has been made. Then you factor that into your final determination."

White has a different view.

"One reason there's a shifting number is, they made drastic changes in Workers' Comp in January," he said. "The way we look at it is, we suffered a series of cutbacks in benefits and changes in benefits that really hurt injured workers -- and people call that, 'success.'"

A large portion of the Workers' Compensation unfunded liability will be financed by an increase in the coal severance tax approved by the Legislature in January.

Manchin critic Don Blankenship, the head of coal producer Massey Energy, has been an outspoken opponent of the increase.

Ramsburg was asked if the administration's goal might be to shrink the bond issue so the governor can call for the removal of the coal severance tax increase.

"There's no hidden agenda plan to say, 'Let's try to get the number here or there,'" Ramsburg said. "We're just asking, straight up, 'What should the number be?' 'What works?' 'What will help us be

successful? Whatever that number is, whatever range it's in -- that's what it is. And that's the decision the governor will make.

"We started this process in January, to fix the system and get this state back on track," she said. "We believe it has already paid dividends in our economy. So it is in everyone's best interest to do this right. And that's what we're going to do."

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