

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6259-01
Bill No.: SB 981
Subject: Workers' Compensation
Type: Original
Date: February 26, 2018

Bill Summary: This proposal modifies provisions relating to methods of self insurance for workers' compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Workers' Compensation Administration Fund	\$0 to (\$166,667)	\$0 to (\$200,000)	\$0 to (\$200,000)
Second Injury Fund	\$0 to (\$1,000,000)	\$0 to (\$1,200,000)	\$0 to (\$1,200,000)
Total Estimated Net Effect on Other State Funds	\$0 to (\$1,166,667)	\$0 to (\$1,400,000)	\$0 to (\$1,400,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state this legislation has the potential of reducing the Workers' Compensation (WC) Administration Tax and Second Injury Fund surcharge.

The filed rates and the average rates fluctuate each year based upon loss costs and other expense changes. The average rates have been higher than the filed rates for at least three years. The difference between the filed rates and the average rates for a self-insured group employer under §537.620 for one year appears to result in an estimated annual reduction in collections for the Workers' Compensation Administrative Tax by approximately \$50,000 and a \$300,000 reduction in Second Injury Fund Surcharge and Supplemental Surcharge for each §537.620 self-insured group employer. There are currently four §537.620 self-insured group employers. The change to §537.620 could result in a reduction in total collections of \$1,400,000.

The group self-insureds authorized under §537.620 may use an assessment plan and a composite rate (for all coverages). They may file that composite rate with the Division of Workers' Compensation instead of filing a rate for each workers' compensation class code. Therefore, the composite rate would be the "filed rate" with the Division.

The bill authorizes the group self-insured employers under §537.620 to change the method used once "without receiving the consent of the director of the division of workers' compensation." These self-insured employers would presumably use the method which would result in the lowest tax and surcharge owed, resulting in a decrease in the amount of Workers' Compensation Administrative Taxes and Second Injury Fund Surcharges collected annually.

DOLIR assumes there would continue to be a difference between the filed rates and the average rate classifications calculated by the Department of Insurance, Financial Institutions and Professional Registration (DIFP). Should all of the §537.620 self-insured employers choose to use the current rates filed with the Division of Workers Compensation (WC) as a basis to determine the WC Administrative Tax and SIF Surcharge owed, the reduction in the WC Administrative Tax is estimated at \$50,000 per year, per group and the reduction in collections for the Second Injury Fund Surcharge and Supplemental Surcharge is estimated at \$300,000 per year per group. There are currently four §537.620 self-insured groups, the total estimated reduction in collections for the WC Administrative Tax could be up to \$200,000 (\$50,000 x 4) per year and the total estimated reduction in collections for the Second Injury Fund Surcharge and Supplemental Surcharge could be up to \$1,200,000 (\$300,000 x 4) per year.

ASSUMPTION (continued)

Officials from the **Office of Administration-General Services** assume this legislation could affect the amount paid for the workers' compensation administration tax and the Second Injury Fund surcharge tax. However, the actual reduction or increase is unknown, because it would depend on the definition of "filed rate method" and the definition is not given in the legislation.

Officials from the **University of Central Missouri (UCM)** assume there is no immediate fiscal impact of this proposal. However, as this note relates to the premium paid for Worker's Compensation, specifically the method by which that premium is calculated, there may be a fiscal impact depending on the manner of calculation- whether average and filed. Additional information would need to be evaluated such as the average premium costs for the top 10 companies providing the WC coverage in the state for the past 5 years to get a better idea as to what the premium averages might look like, as well as a better explanation of the filed method (is it just for the company that UCM uses that UCM would be responsible for the filed rate calculation against) before UCM could adequately and fully respond to this note.

Officials from the **Summersville R2 School District** assume the proposal could have a positive fiscal impact on their organization.

Officials from the **Pattonville School District** assume the proposal will save the district \$12,000 per year.

Oversight notes there could be a potential savings to local political subdivisions who are self-insured employers. If those entities choose to use the filed rate with the Division of Workers Compensation (WC) as a basis to determine the WC Administrative Tax and SIF Surcharge owed instead of using the average rate filed, there would be a savings. Oversight is unable to determine how many self insured employers will use that calculation, but assume they would choose that which is cheaper for them. Therefore, Oversight will reflect a \$0 to Unknown savings to the local political subdivisions.

Officials from the **Department of Transportation, Department of Insurance, Financial Institutions and Professional Registration, and Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **St. Louis County Board of Election Commissioners, Platte County Board of Elections, and Callaway County** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials from the **State Technical College of Missouri, Missouri State University, and Missouri Western State University** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Kirkville R-III School District** assume the proposal will have no fiscal impact on their organization.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles City Administrator, St. Louis City Budget Division, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, Truman State University, and the University of Missouri did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East

ASSUMPTION (continued)

Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Shell Knob #78, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartsville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wellsville Middletown R-1, Wentzville R-IV, West Plains R-VII, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
WC ADMINISTRATION FUND			
<u>Loss - DOLIR - reduction in collections</u>	<u>\$0 to (\$166,667)</u>	<u>\$0 to (\$200,000)</u>	<u>\$0 to (\$200,000)</u>
ESTIMATED NET EFFECT ON WC ADMINISTRATION FUND	<u>\$0 to (\$166,667)</u>	<u>\$0 to (\$200,000)</u>	<u>\$0 to (\$200,000)</u>

SECOND INJURY FUND			
<u>Loss - DOLIR - reduction in collections</u>	<u>\$0 to (\$1,000,000)</u>	<u>\$0 to (\$1,200,000)</u>	<u>\$0 to (\$1,200,000)</u>
ESTIMATED NET EFFECT ON SECOND INJURY FUND	<u>\$0 to (\$1,000,000)</u>	<u>\$0 to (\$1,200,000)</u>	<u>\$0 to (\$1,200,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings - ability to use either the average rate classification method <u>or</u> the filed rate method</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION


This proposal provides that any group of political subdivisions qualified to self-insure their workers' compensation liability may choose either the average rate classification method or the filed rate method. The group may only change the method used once without the consent of the Director of the Division of Workers' Compensation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration-General Services
University of Central Missouri
Summersville R2 School District
Pattonville School District
Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Missouri Department of Conservation
St. Louis County Board of Election Commissioners
Platte County Board of Elections
Callaway County
State Technical College of Missouri
Missouri State University
Missouri Western State University
Kirksville R-III School District

Ross Strobe



Acting Director
February 26, 2018