

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6259-01  
Bill No.: Truly Agreed To and Finally Passed SB 981  
Subject: Workers' Compensation  
Type: Original  
Date: June 4, 2018

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

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
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)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0 to (\$1,166,667)</b>	<b>\$0 to (\$1,400,000)</b>	<b>\$0 to (\$1,400,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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

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

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

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

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

Officials from the **University of Central Missouri (UCM)** assumed 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.

**Oversight** notes there could be a 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 **Platte County Board of Elections** and **Jackson County Election Board** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Columbia** assume the proposal will have no fiscal impact on their organization.

Officials from the **State Technical College of Missouri** and **Missouri State University** both assume the proposal will have no fiscal impact on their organization.

Officials from the **University of Missouri** assume the proposal will not have a significant fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**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>
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<b>ESTIMATED NET EFFECT ON WC ADMINISTRATION FUND</b>	<u><b>\$0 to (\$166,667)</b></u>	<u><b>\$0 to (\$200,000)</b></u>	<u><b>\$0 to (\$200,000)</b></u>
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**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>
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<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<u><b>\$0 to (\$1,000,000)</b></u>	<u><b>\$0 to (\$1,200,000)</b></u>	<u><b>\$0 to (\$1,200,000)</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**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>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Under current law, the Division of Workers' Compensation is required to develop a notice relating to workers' compensation laws that employers are required to post on their premises. This act provides that such notice must be posted on the website of the Department of Labor and Industrial Relations. Furthermore, if an employer maintains workers' compensation insurance, the carrier shall provide this notice in either paper or electronic format to employees. If the carrier chooses to provide the notice in electronic format, the carrier shall direct the insured to the notice that is available on the Department of Labor and Industrial Relation's website.


This act additionally 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  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Transportation  
Missouri Department of Conservation  
University of Central Missouri  
Platte County Board of Elections  
Jackson County Election Board  
City of Columbia  
State Technical College of Missouri  
Missouri State University  
University of Missouri

Ross Strope



Acting Director  
June 4, 2018