

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0866-01
Bill No.: HB 337
Subject: Employees - Employers
Type: Original
Date: February 9, 2015

Bill Summary: This proposal modifies provisions related to employer requirements for employee benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Workers' Compensation Administrative Fund	\$118,922	\$110,058	\$111,057
Second Injury Fund	\$2,275,178	\$2,297,930	\$2,320,909
Total Estimated Net Effect on <u>Other</u> State Funds	\$2,394,100	\$2,407,988	\$2,431,966

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Workers' Compensation Administrative Fund	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Office of Administration - Division of Personnel**, the **Missouri Department of Conservation**, the **Department of Economic Development**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Transportation**, the **Department of Revenue** and the **City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Attorney General's Office** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state the Division of Workers' Compensation, Fraud and Non-Compliance Unit investigates allegations of fraud and noncompliance perpetrated by any person under the Missouri Workers' Compensation Act (the Act). Expanding the number of employers who would be governed by and subject to the Act could increase the number of complaints and investigations conducted by the unit.

DOLIR officials state of the 146,908 Missouri employers, 58,693 are currently subject to the Act. In calendar year 2014, the Fraud and Non-Compliance Unit opened 1,629 cases, 2.78% of the employers subject to the Act. Using the U.S. Census Bureau's 2012 Community Business Patterns report, DOLIR calculates that an additional 24,159 employers would be subject to the Act. Applying the 2.78% investigation rate to these additional employers, DOLIR estimates that an additional 672 cases will be opened should this legislation be implemented.

Each investigator can work approximately 200 cases per year. Therefore, the additional 672 cases would require three additional Investigator II FTE ($672 / 200 = 3.36$). The Investigator IIs would handle the investigations for compliance with the Act. One Office Support Assistant - Keyboarding (OSA-K) would provide administrative support for the investigations including typing transcripts and preparing cases for referrals.

ASSUMPTION (continued)

DOLIR anticipates that additional employers will request approval to create and/or join self-insured group trusts in order to obtain Workers' Compensation (WC) for these additional covered employees. It is anticipated that at least 138 additional applications would be received annually. One additional FTE, an Insurance Financial Analyst II, would be required to review applications for group trust members, annual and quarterly reports, security to be posted with the division and monitor compliance with the statutes and rules.

Additional space will be needed for five FTE at a cost of \$8,500.

Because additional employers will be subject to the Act, there will be an increase in the premium base and an overall positive impact to the WC Administrative Fund and Second Injury Fund.

The estimated annual additional premium base is \$37,919,629. The WC Administrative Tax and WC Administrative Surcharge rate for CY 2014 was set at 1% of the premium base. DOLIR estimates the increased revenue to the WC Administration Fund would be \$379,196 ($\$37,919,629 \times .01 = \$379,196.29$).

The Second Injury Fund (SIF) Surcharge rate and SIF Supplemental Surcharge rate for CY 2014 was set at 6% of the premium base. DOLIR estimates the increased revenue to the SIF at \$2,275,178 ($\$37,919,629 \times .06 = \$2,275,177.74$).

DOLIR asked for rental space for the five new employees. **Oversight** checked with the Office of Administration and confirmed there is space in one of the DOLIR's buildings for the additional staff. Therefore, rental expense is not include in the fiscal note costs.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
WORKERS' COMPENSATION ADMINISTRATIVE FUND			
<u>Revenue - DOLIR</u> Increase in premium base	\$379,196	\$382,988	\$386,818
<u>Cost - DOLIR</u>			
Personal Service	(\$144,460)	(\$175,086)	(\$176,836)
Fridge Benefits	(\$75,126)	(\$91,053)	(\$91,964)
Expense and Equipment	(\$40,688)	(\$6,791)	(\$6,961)
<u>Total Cost - DOLIR</u>	<u>(\$260,274)</u>	<u>(\$272,930)</u>	<u>(\$275,761)</u>
FTE Change - DOLIR	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT TO THE WORKERS' COMPENSATION ADMINISTRATIVE FUND	<u>\$118,922</u>	<u>\$110,058</u>	<u>\$111,057</u>
Estimated Net FTE Change for the Workers' Compensation Administrative Fund	5 FTE	5 FTE	5 FTE
SECOND INJURY FUND			
<u>Revenue - DOLIR</u> Increase in premium base	<u>\$2,275,178</u>	<u>\$2,297,930</u>	<u>\$2,320,909</u>
ESTIMATED NET EFFECT TO THE SECOND INJURY FUND	<u>\$2,275,178</u>	<u>\$2,297,930</u>	<u>\$2,320,909</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

A direct fiscal impact to certain small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds employers in the following types of industries to the types of employers that must have workers compensation insurance if they have only one or more employees:

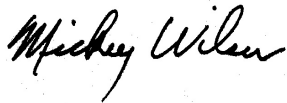
- (a) Healthcare and social assistance activities classified as NAICS 62;
- (b) Manufacturing activities classified as NAICS 31-33;
- (c) Retail trade activities classified as NAICS 44-45;
- (d) Transportation and warehousing activities classified as 48-49;
- (e) Construction activities classified as NAICS 23;
- (f) Surveying and mapping services activities classified as NAICS 541370;
- (g) Geophysical surveying and mapping services activities classified as NAICS 541360; and
- (h) Engineering services activities classified as NAICS 541330.

Currently only construction industry employers are deemed employers for workers compensation if they have one or more employees; all other non-construction industry employers are not deemed employers for workers compensation purposes unless they have five or more employees.

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
Missouri Department of Conservation
Department of Transportation
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue



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February 9, 2015

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