

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0540-01  
Bill No.: HB 81  
Subject: Employees - Employers; Workers Compensation  
Type: Original  
Date: February 16, 2017

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Second Injury Fund	(\$1,167,308)	(\$1,400,770)	(\$1,400,770)
Worker's Compensation Fund	(\$194,552)	(\$233,462)	(\$233,462)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$1,361,860)</b>	<b>(\$1,634,232)</b>	<b>(\$1,634,232)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials at the **Department of Labor and Industrial Relations (DOLIR)** estimate that construction industry small businesses would save about \$23,000,000 because they would not pay premiums associated with workers compensation insurance coverage.

This would reduce the premium base for Workers' Compensation Insurance and thus the amounts collected under the Workers' Compensation Administrative Tax and the Second Injury Fund Surcharge.

The total decrease to the Workers' Compensation Administration Fund in FY18 is estimated to be (\$194,552) which is based on 10 months. This would increase to (\$233,462) for FY19 and FY20 based on a full year or 12 months. The total decrease to the Second Injury Fund in FY18 is estimated to be (\$1,167,308) which is based on 10 months. This would increase to (\$1,400,770) for FY19 and FY20 based on a full year or 12 months.

<b>Revenue Loss Calculations</b>		
Estimated annual payroll for companies in the construction class code with < 5 employees	\$246,788,340	Using average modification factor of 1.00
÷ \$100 (premiums are calculated at per \$100 of payroll) =	\$2,467,883	
X Average hourly pay rate for the class code of \$9.46 =	<b>\$23,346,173</b>	Estimated Total Annual Premiums
Workers' Compensation Administration Tax Rate	1%	
X Estimated premiums =	<b>\$233,462</b>	One full year of revenue FYs 2018 & 2019
÷ 12 X 10 =	<b>\$194,552</b>	Ten months' revenue - FY2017
Second Injury Fund Surcharge Rate + Supplemental Surcharge	6%	
X Estimated premiums =	<b>\$1,400,779</b>	One full year of revenue FYs 2018 & 2019
÷ 12 X 10 =	<b>\$1,167,308</b>	Ten months' revenue - FY2017
The revenue loss estimates for successive years do not include any inflation factors.		

ASSUMPTION (continued)

Officials at the **Department of Corrections, Department of Insurance, Financial Institutions and Professional Registration, Department of Natural Resources, Department of Social Services, and Department of Public Safety - Highway Patrol** defer to Office of Administration for a fiscal impact.

Officials at the **Office of Administration - Accounting, Office of Administration - Administrative Hearing Commission, Office of Administration - Personnel, Department of Agriculture, Attorney General's Office, State Auditor's Office, Department of Conservation, Missouri Consolidated Health Care Plan, Department of Elementary and Secondary Education, Missouri Ethics Commission, Governor's Office, Department of Health and Senior Services, Department of Higher Education, Joint Committee on Administrative Rules, Missouri Lottery, Lieutenant Governor's Office, Department of Mental Health, Missouri State Employees' Retirement System, Office of State Courts Administrator, State Highway Employees Retirement System, Office of Prosecution Services, State Public Defender's Office, Department of Revenue, Department of Public Safety - Capitol Police, Department of Public Safety - Director's Office, Department of Public Safety - Gaming Commission, Department of Public Safety - State Emergency Management Agency, Department of Public Safety - Veterans Commission, Missouri Senate, State Tax Commission, State Treasurer's Office, and Department of Transportation** each assume this proposal would not have a fiscal impact on their respective organizations.

Officials at the cities of **Columbia, Excelsior Springs and Kansas City** each assume this proposal would not have a fiscal impact on their respective organizations.

Officials at the **St. Louis County** assume this proposal would not have a fiscal impact on their organization.

Officials at the **Metropolitan Community College, Missouri State University, Missouri Western State University, Northwest Missouri State University, St. Charles Community College, State Technical College of Missouri, University of Central Missouri, and University of Missouri** each assume this proposal would not have a fiscal impact on their respective organizations.

Officials at the school districts of **Bowling Green R-I, Bronaugh R-VII, Concordia R-II, Kansas City, Malta Bend, Parkway, Pettis County R-XII, Seymour R-II, Special School District of St. Louis County, Warren County R-III, West Plains R-VII, and Wright City R-II** each assume this proposal would not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Des Peres, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, 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 at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

Officials at the following school districts: Arcadia Valley R-2, Aurora R-8, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Branson, Brentwood, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Laclede County R-1, Laredo R-7, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Mehville, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Pattonville, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Slater, Smithville R-2, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Tipton R-6, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves, and the Westview C-6 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>SECOND INJURY FUND</b>			
<u>Loss - DOLIR</u>			
Lower WC premium collections	<u>(\$1,167,308)</u>	<u>(\$1,400,770)</u>	<u>(\$1,400,770)</u>
<b>ESTIMATED NET EFFECT TO THE SECOND INJURY FUND</b>	<b><u>(\$1,167,308)</u></b>	<b><u>(\$1,400,770)</u></b>	<b><u>(\$1,400,770)</u></b>
<b>WORKERS' COMPENSATION FUND</b>			
<u>Loss - DOLIR</u>			
Lower WC premium collections	<u>(\$194,552)</u>	<u>(\$233,462)</u>	<u>(\$233,462)</u>
<b>ESTIMATED NET EFFECT TO THE WORKERS' COMPENSATION FUND</b>	<b><u>(\$194,552)</u></b>	<b><u>(\$233,462)</u></b>	<b><u>(\$233,462)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DOLIR officials estimate that construction industry small businesses would save about \$23,000,000 because they would not pay premiums associated with Workers' Compensation Insurance premiums.

FISCAL DESCRIPTION

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.

FISCAL DESCRIPTION (continued)

This bill adds any person or corporation in the construction industry who erects, demolishes, alters, or repairs improvements to the definition of "employer" as it relates to the Workers' Compensation Law.

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 Corrections  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Natural Resources  
Department of Social Services  
Department of Public Safety - Highway Patrol  
Office of Administration - Accounting  
Office of Administration - Administrative Hearing Commission  
Office of Administration - Personnel  
Department of Agriculture  
Attorney General's Office  
State Auditor's Office  
Department of Conservation  
Missouri Consolidated Health Care Plan  
Department of Elementary and Secondary Education  
Missouri Ethics Commission  
Governor's Office  
Department of Health and Senior Services  
Department of Higher Education  
Joint Committee on Administrative Rules  
Missouri Lottery  
Lieutenant Governor's Office  
Department of Mental Health  
Missouri State Employees' Retirement System  
Office of State Courts Administrator  
State Highway Employees Retirement System  
Office of Prosecution Services  
State Public Defender's Office  
Department of Revenue  
Department of Public Safety - Capitol Police  
Department of Public Safety - Director's Office  
Department of Public Safety - Gaming Commission  
Department of Public Safety - State Emergency Management Agency

SOURCES OF INFORMATION (continued)

Department of Public Safety - Veterans Commission

Missouri Senate

State Tax Commission

State Treasurer's Office

Department of Transportation

Cities of:

Columbia

Excelsior Springs

Kansas City

St. Louis County

Metropolitan Community College

Missouri State University

Missouri Western State University

Northwest Missouri State University

St. Charles Community College

State Technical College of Missouri

University of Central Missouri

University of Missouri

School Districts of:

Bowling Green R-I

Bronaugh R-VII

Concordia R-II

Kansas City

Malta Bend

Pettis County R-XII

School Districts of:

Parkway

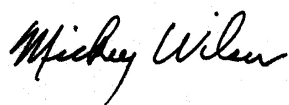
Seymour R-II

Special School District of St. Louis County

Warren County R-III

West Plains R-VII

Wright City R-II



Mickey Wilson, CPA  
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