

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1713S.01I  
Bill No.: SB 360  
Subject: Workers' Compensation  
Type: Original  
Date: February 15, 2021

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Bill Summary: The proposal extends sunset on a supplemental surcharge collected by the director of the Division of Workers' Compensation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenues	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
State Road Fund (0320)	Could exceed (\$135,000)	Could exceed (\$270,000)	Could exceed (\$270,000)
OA – Administrative Fund**	\$0	\$0	\$0
Colleges & Universities	(Unknown)	(Unknown)	(Unknown)
Second Injury Fund (0653)*	Could exceed \$26,000,000	Could exceed \$52,000,000	Could exceed \$52,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$25,865,000</b>	<b>Less than \$51,730,000</b>	<b>Less than \$51,730,000</b>

\*This proposal extends the sunset date of a 3% supplemental surcharge paid into the Second Injury Fund. Currently it is set to expire on December 31, 2021; however this proposal extends that date to December 31, 2026. Oversight has reflected the positive impact to the Second Injury Fund for this continuation of an existing surcharge (6 months of impact in FY 2022).

\*\*Transfers in and Costs net to zero.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>			

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>			

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal would not have a fiscal impact on their organization but could have potential fiscal impact on small businesses.

Additionally, DOLIR notes that per the Division of Workers Compensation, there is a 3% Second Injury Fund (SIF) surcharge and a 3% SIF supplemental surcharge when referring to subsections 2 and 6 of §287.715 that set forth the rates. The statute is clear on the rates and percentages. The collections reported are for both the SIF surcharge and supplemental surcharge.

Second Injury Fund surcharge collections in last three years shown below:

<u>CY</u>	<u>Collections</u>	<u>Rate</u>
<b>2018</b>	\$ 107,413,993.84	6%
<b>2019</b>	\$ 102,442,325.10	6%
<b>2020</b>	\$ 86,683,062.21	5%

<u>CY</u>	<u>5% - 6 % Collections</u>	<u>1% collections</u>	<u>CY 3 % Collections</u>	<u>FY 3% Surcharge Collections</u>
<b>2017</b>	\$ 107,413,993.84	\$17,902,332	\$ 53,706,997	
<b>2018</b>	\$ 102,442,325.10	\$17,073,721	\$ 51,221,163	\$ 52,464,080
<b>2019</b>	\$ 86,683,062.21	\$17,336,612	\$ 52,009,837	\$ 51,615,500
<b>Average</b>				<b>\$ 52,039,790</b>

**Oversight** calculated the potential impact to the SIF by dividing the total annual collections by appropriate annual percentage and extracting only 3% charge of surcharge payments for the employers throughout Missouri. Currently the division is only applying 2% surcharge.

**Oversight** notes officials from DOLIR assume the proposal will have no fiscal impact on their organization. However, Oversight assumes the Second Injury Fund will continue to experience additional revenue collections due to the extension of the surcharges for additional 5 years (from CY 2022 to CY 2026). Therefore, Oversight will reflect a positive fiscal impact to the Second Injury Fund that could exceed \$52 Million each year on the fiscal note.

Officials from the **Missouri Department of Transportation (MODOT)** assume the proposal extends the Second Injury Fund Surcharge for an additional five years, resulting in an ongoing fiscal impact to MODOT. Specifically, this would be an unknown negative fiscal impact on the State Road Fund.

Currently, MODOT pays a 3% Second Injury Fund (SIF) surcharge and a supplemental rate of 2%. This amount will vary based on each year's premiums, but for 2020, MoDOT paid \$405,512 for the SIF surcharge and \$270,347 for the supplemental rate. MoDOT pay quarterly, but these are the annual figures.

2017-2019 had a 3% SIF surcharge and a 3% supplemental rate. MoDOT paid the following annually:

2019 - \$400,919 for each (surcharge and supplemental)

2018 - \$403,463 for each

2017 - \$413,749 for each

**Oversight** notes that MODOT pays approximately \$270,000 annually for 3% supplemental surcharge.

Official from the **Office of Administration (OA)** assume the proposal would not have a direct fiscal impact on their agency.

**Oversight** notes that DOLIR (throughout further phone call conversations regarding the identical proposal HB 384 (1273H.01I) 2021) stated that MODOT and OA both will be required to continue to make up to 3% surcharge payments into the Second Injury Fund because of the extension of the surcharge payment for additional 5 years. Therefore, Oversight will note an Unknown negative cost to the OA's Administrative Fund and a negative \$270,000 to MODOT's State Road Fund. Additionally, Oversight will note a negative Unknown amount to General Revenues appropriated to OA's Administrative Fund to pay for the supplemental surcharge.

Officials from the **University of Central Missouri** assume the proposal would have an indeterminate fiscal impact. Additional information regarding the fund limits is needed to identify a preliminary impact given current workers compensation claims that have been filed.

**Oversight** notes University of Central Missouri assumes the proposal would have a direct fiscal impact on their organization. Oversight assume the costs are expected due to the extension of the surcharges for additional 5 years and beyond FY 2021. Therefore, Oversight will reflect negative Unknown costs to the colleges and universities on the fiscal note.

Officials from the **City of Springfield** assume the proposal would have a negative fiscal impact since it extends a surcharge which costs the City \$35,000 per quarter or \$100,000 annually an additional five years. The five year extension will cost the City approximately \$500,000.

Officials from the **City of Saint Louis – Budget Division** assume the proposal would have a direct fiscal impact on their respective organization.

**Oversight** notes the above local political subdivisions noted the proposal would have a direct fiscal impact on their respective organizations due to the extension of the surcharges for an additional 5 years and beyond FY 2021. Therefore, Oversight will reflect a negative Unknown costs to the local political subdivisions on the fiscal note.

Officials from the **Department of Commerce and Insurance, Missouri Department of Conservation, Missouri State University, State Technical College of Missouri, High Point RII School, Springfield R-XII School, and City of Kansas City** each assume the proposal would not have a direct fiscal impact on their respective organizations.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

**Oversight** notes the balance of the Second Injury Fund (0653) has been:

At December 31, 2020	\$31,613,929;
At June 30, 2020	\$28,326,917

<u>FISCAL IMPACT – State Government</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<u>Cost</u> – appropriation for OA’s Administrative Fund to pay up to 3% extension of the surcharges for additional 5 years	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>NET EFFECT ON GENERAL REVENUE</b>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
<b>OTHER STATE FUNDS</b>			
COLLEGES AND UNIVERSITIES			
Cost - continuance of insurance costs to cover SIF claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON COLLEGES & UNIVERSITIES FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
OA ADMINISTRATIVE FUND			
<u>Transfer In - from GR, (continuance of insurance costs to cover SIF claims)</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Transfer Out - (continuance of insurance costs to cover SIF claims into SIF)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON OA ADMINISTRATIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
STATE ROAD FUND (0320)			
Cost - (continuance of insurance costs to cover SIF claims)	Could exceed <u>(\$135,000)</u>	Could exceed <u>(\$270,000)</u>	Could exceed <u>(\$270,000)</u>
NET EFFECT ON STATE ROAD FUND (0320)	Could exceed <u>(\$135,000)</u>	Could exceed <u>(\$270,000)</u>	Could exceed <u>(\$270,000)</u>
SECOND INJURY FUND (0653)			
Revenue Gain - (287.715. 6 3% surcharge)	Could exceed <u>\$26,000,000</u>	Could exceed <u>\$52,000,000</u>	Could exceed <u>\$52,000,000</u>
NET EFFECT ON SECOND INJURY FUND	Could exceed <u>\$26,000,000</u>	Could exceed <u>\$52,000,000</u>	Could exceed <u>\$52,000,000</u>
NET EFFECT ON OTHER STATE FUNDS	Less than <u>\$25,865,000</u>	Could exceed <u>\$51,730,000</u>	Could exceed <u>\$51,730,000</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost – (continuance of insurance costs to cover SIF claims)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

Small businesses would continue to pay the appropriate surcharge that has been extended until 2026.

FISCAL DESCRIPTION

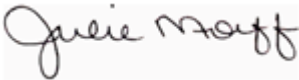
Under current law, the director of the Division of Workers' Compensation is required to collect a supplemental surcharge not to exceed three percent of the policyholder's or self-insured's workers' compensation net deposits, net premiums, or net assessments for the previous policy year, rounded up to the nearest one-half of a percentage point. This provision expires December 31, 2021. This act extends that expiration date to December 31, 2026.

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

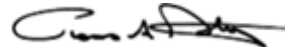


SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Missouri Department of Transportation  
Missouri Department of Conservation  
Department of Commerce and Insurance  
Missouri State University  
Central University of Missouri  
State Technical College of Missouri  
City of Kansas City  
City of Saint Louis – Budget Division  
City of Springfield  
High Point R-III School  
Springfield R-XII School



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