

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5372-01
Bill No.: HB 1343
Subject: Workers Compensation; Employees - Employers; Labor and Industrial Relations
Department
Type: Original
Date: February 10, 2014

Bill Summary: This proposal would increase the minimum number of employees needed to be considered an employer for workers' compensation purposes from five to ten.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Workers' Compensation Administration	(Unknown)	(Unknown)	(Unknown)
Second Injury	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Sections 287.030 and 287.035, RSMo. - Workers' Compensation Exemption:

Changes to these provisions would allow employers with more than five but fewer than ten employees to become exempt from workers' compensation requirements.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would raise the minimum number of employees for an employer to be governed by and subject to the workers' compensation law from 5 to 10. This would reduce the number of employers who would be required to purchase workers' compensation insurance coverage.

DOLIR officials assume there would be a reduction to the premium base due to premiums paid by employers who are currently required to carry workers' compensation insurance coverage but could be exempted by this proposal. DOLIR officials stated they do not currently have a way to determine the number of employers that have between five and ten employees and would have the option to terminate workers' compensation coverage. In addition, DOLIR officials stated they did not have a way to estimate the number of eligible employers that would cancel workers' compensation insurance coverage.

Oversight assumes this proposal would allow employers with more than five but fewer than ten employees to eliminate workers' compensation insurance coverage. Oversight also assumes an unknown number of employers would elect to terminate their current insurance coverage, and that would result in an unknown net reduction in premiums for workers' compensation insurance policies. Since revenues in the Workers' Compensation Administration Fund and the Second Injury Fund are based on surcharges on workers' compensation insurance premiums and self insurance program payments, a reduction in premiums would result in revenue reductions for those funds.

Oversight will indicate an unknown revenue reduction for the Workers' Compensation Administration Fund and the Second Injury Fund in this fiscal note, and Oversight will assume for fiscal note purposes the revenue reduction could begin as early as FY 2015.

ASSUMPTION (continued)

Oversight notes this proposal would also allow local governments with more than five but fewer than ten employees to eliminate workers' compensation coverage. Oversight assumes an unknown number of local governments would elect to terminate their current insurance coverage and that would result in an unknown reduction in cost for those local governments. Oversight will indicate an unknown cost reduction for local governments for FY 2015, FY 2016, and FY 2017.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
WORKERS' COMPENSATION ADMINISTRATION FUND			
<u>Revenue reduction</u> - DOLIR Reduction in premium surcharges Sections 287.030 and 287.035	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON WORKERS' COMPENSATION ADMINISTRATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SECOND INJURY FUND			
<u>Revenue reduction</u> - DOLIR Reduction in premium surcharges Sections 287.030 and 287.035	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SECOND INJURY FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Cost reduction - Local governments
Exemption from workers' compensation
program

Sections 287.030 and 287.035

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

Unknown

Unknown

Unknown

FISCAL IMPACT - Small Business

This proposal would reduce costs to small business which can eliminate workers compensation insurance coverage.

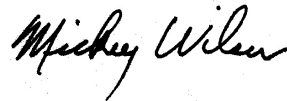
FISCAL DESCRIPTION

This proposal would increase the minimum number of employees needed to be considered an employer for workers' compensation purposes from five to ten.

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 Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 10, 2014

Ross Strobe
Assistant Director
February 10, 2014