

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1273H.01I  
Bill No.: HB 384  
Subject: Workers Compensation; Labor and Management; Employees - Employers  
Type: Original  
Date: January 29, 2021

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Bill Summary: The proposal modifies provisions relating to the Workers' Compensation Second Injury Fund.

**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	(Unknown)	(Unknown)	(Unknown)
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).

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 \$250,000 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 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<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:

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

<b><u>CY</u></b>	<b><u>5% - 6 % Collections</u></b>	<b><u>1% collections</u></b>	<b><u>CY 3 % Collections</u></b>	<b><u>FY 3% Surcharge Collections</u></b>
<b>2017</b>	\$ 107,413,993.84	17902332.33	\$ 53,706,997	
<b>2018</b>	\$ 102,442,325.10	17073720.83	\$ 51,221,163	\$ 52,464,079.75
<b>2019</b>	\$ 86,683,062.21	17336612.44	\$ 52,009,837	\$ 51,615,499.91
			<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 employer's throughout the Missouri.

**Oversight** notes officials from DOLIR assume the proposal will have no fiscal impact on their organization. However, Oversight assume 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 from 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, we paid \$405,512 for the SIF surcharge and \$270,347 for the supplemental rate. We pay quarterly, but these are the annual figures.

2017-2019 had a 3% SIF surcharge and a 3% supplemental rate. We 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 respective agency.

**Oversight** notes that DOLIR stated that MODOT and OA both will be required to continue to make 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 assume the proposal would have a direct fiscal impact on their respective 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 a 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. The five year extension will cost the City approximately \$500,000.

**Oversight** notes the above local political subdivision noted the proposal would have a direct fiscal impact on their respective organization due to the extension of the surcharges for 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** and **Missouri Department of Conservation** each assume the proposal would not have a direct fiscal impact on their respective organizations.

Officials from the **Missouri State University**, **Missouri University**, and **State Technical College of Missouri** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **City of Ballwin**, **City of O'Fallon**, and **City of Saint Louis – Budget Division** each assume the proposal would not have a direct fiscal impact on their respective organization.

**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 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><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
<b>OTHER STATE FUNDS</b>			
Cost - Colleges and Universities (continuance of insurance costs to cover SIF claims)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Cost - OA - (continuance of insurance costs to cover SIF claims)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Cost - State Road Fund (0320) (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>
Revenue Gain - Second Injury Fund (0653) (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>
<b>NET EFFECT ON OTHER STATE FUNDS</b>	<b>Less than <u>\$25,865,000</u></b>	<b>Could exceed <u>\$51,730,000</u></b>	<b>Could exceed <u>\$51,730,000</u></b>

<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

Currently, the Second Injury Fund receives funds from an annual surcharge of up to 3% on employers' workers' compensation premiums and an annual supplemental surcharge of up to 3% for calendar years 2014 to 2021. This bill extends the supplemental surcharge sunset from 2021 to 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

Office of Administration

Department of Commerce and Insurance

Missouri Department of Conservation

Missouri Department of Transportation

University Of Central Missouri

Missouri State University

Missouri University

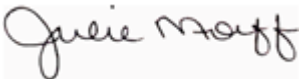
State Technical College of Missouri

City of Springfield

City of Ballwin

City of O'Fallon

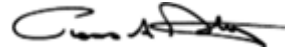
City of Saint Louis – Budget Division



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