

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1273H.02P  
Bill No.: Perfected HCS for HB 384  
Subject: Workers Compensation; Labor and Management; Employees - Employers  
Type: Original  
Date: March 23, 2021

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Bill Summary: This 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	Up to (\$718,583)	Up to (\$1,437,166)	Up to (\$1,437,166)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$718,583)</b>	<b>Up to (\$1,437,166)</b>	<b>Up to (\$1,437,166)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
State Road Fund (0320)	Up to (\$200,000)	Up to (\$400,000)	Up to (\$400,000)
Colleges & Universities	(Unknown)	(Unknown)	(Unknown)
Second Injury Fund (0653)*	Up to \$26,000,000	Up to \$52,000,000	Up to \$52,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to \$25,800,000</b>	<b>Up to \$51,600,000</b>	<b>Up to \$51,600,000</b>

\*This proposal extends the sunset date of up to 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, 2024. 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>\$0</b>	<b>\$0</b>	<b>\$0</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 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.

<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

In response to the previous version, **Department of Labor and Industrial Relations (DOLIR)** assumed 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	\$ 17,902,332.33	\$ 53,706,997	
<b>2018</b>	\$ 102,442,325.10	\$ 17,073,720.83	\$ 51,221,163	\$ 52,464,079.75
<b>2019</b>	\$ 86,683,062.21	\$ 17,336,612.44	\$ 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 employers throughout Missouri.

**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 3 years (from CY 2021 to CY 2024). Therefore, Oversight will reflect a positive fiscal impact to the Second Injury Fund that could exceed \$52 million each year on the fiscal note.

In response to the previous version, officials from the **Missouri Department of Transportation (MoDOT)** assumed 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.

In response to the previous version of this proposal, HB 384 (1273H.01I) 2021, officials from the **Office of Administration (OA)** assumed the proposal would not have a direct fiscal impact on their agency.

Oversight notes summary of tax paid into the Second Injury Fund by OA:

FY	Summary of Total Tax Collected into Second Injury Fund by OA
2020	\$ 2,482,810
2019	\$ 2,539,133
2018	\$ 3,268,504
2017	\$ 3,206,885
Average	\$ 2,874,333

Source: [https://oa.mo.gov/sites/default/files/FY\\_2020\\_Executive\\_Budget\\_Final.pdf](https://oa.mo.gov/sites/default/files/FY_2020_Executive_Budget_Final.pdf)

**Oversight** notes that the OA pays its Workers' Compensation tax and Second Injury Fund assessments based on billings received from the Department of Revenue and the Division of Workers' Compensation.

**Oversight** notes that DOLIR 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 3 years. Therefore, Oversight will note an Unknown negative cost to the OA's Administrative Fund and a negative **\$400,000** to MoDOT's State Road Fund. Additionally, Oversight notes that OA would be liable for lesser taxes paid into the Second Injury Fund. The average of the 3% surcharge tax is **\$1,437,166** ( $\$2,874,333 / 6 \times 3$ ).

In response to the previous version of this proposal, HB 384 (1273H.01I) 2021, officials from the **University of Central Missouri** assumed 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 assumed 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 3 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 3 years. The three year extension will cost the City approximately \$500,000.

Officials from the **City Of Saint Louis – Budget Davison** note:

The City of St. Louis has paid into the Missouri Division of Worker's Compensation an average of \$1.2M per year over the past two fiscal years. These payments are comprised of the 3% surcharge as well as the 3% supplemental rate. The supplemental rate was set to expire in 2021. The proposed legislation would extend the rate until 2024. Therefore the fiscal impact to the City would be a continuation of payments of approximately \$600,000 per year or the average amount that can be attributed to the supplemental rate over the past two fiscal years.

**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 3 years and beyond FY 2021. Therefore, Oversight will reflect a negative Unknown costs to the local political subdivisions on the fiscal note.

In response to the previous version of this proposal, HB 384 (1273H.01I) 2021, officials from the **Department of Commerce and Insurance, Missouri Department of Conservation, Missouri State University, Missouri University, State Technical College of Missouri, City of Ballwin, City of O'Fallon** each assume the proposal would not have a direct fiscal impact on their respective organizations.

In response to the current version **Missouri University, City of Corder, City of O'Fallon, 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
At February 28, 2021	\$36,953,483

<u>FISCAL IMPACT – State Government</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<u>Cost</u> –extension of the supplemental surcharges for an additional 4 years p. 5	<u>Up to (\$718,583)</u>	<u>Up to (\$1,437,165)</u>	<u>Up to (\$1,437,165)</u>
<b>NET EFFECT ON GENERAL REVENUE</b>	<u><b>Up to (\$718,583)</b></u>	<u><b>Up to (\$1,437,165)</b></u>	<u><b>Up to (\$1,437,165)</b></u>
<b>OTHER STATE FUND</b>			
<b>COLLEGES AND UNIVERSITIES</b>			
<u>Cost</u> - extension of the supplemental surcharges for an additional 4 years	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES</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>STATE ROAD FUND (0320)</b>			
<u>Cost</u> MoDOT - continuance of supplemental	<u>Up to (\$200,000)</u>	<u>Up to (\$400,000)</u>	<u>Up to (\$400,000)</u>

surcharge past 12/31/2021 p. 5			
<b>NET EFFECT ON STATE ROAD FUND (0320)</b>	<b>Up to <u>(\$200,000)</u></b>	<b>Up to <u>(\$400,000)</u></b>	<b>Up to <u>(\$400,000)</u></b>
<b>SECOND INJURY FUND (0653)</b>			
Revenue Gain - (Section 287.715.6 – supplemental surcharge extended from 12/31/21 to 12/31/25 p. 3	Up to <u>\$26,000,000</u>	Up to <u>\$52,000,000</u>	Up to <u>\$52,000,000</u>
<b>NET EFFECT ON SECOND INJURY FUND</b>	<b>Up to <u>\$26,000,000</u></b>	<b>Up to <u>\$52,000,000</u></b>	<b>Up to <u>\$52,000,000</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 supplemental surcharge past 12/31/2021</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 2024.

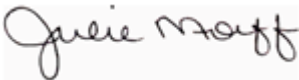
#### FISCAL DESCRIPTION

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 2024.

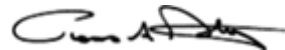
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### 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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