

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6402H.011
 Bill No.: HB 2855
 Subject: Workers' Compensation; Department of Labor and Industrial Relations; Employees
 - Employers
 Type: Original
 Date: March 2, 2026

Bill Summary: This proposal modifies provisions relating to workers' compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*The change in the annual workers' compensation tax liability to the state is unknown. Estimated impact could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Second Injury Fund (1653)*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Workers Compensation Administrative Fund (1652)*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

There is an unknown fiscal impact to the Workers' Compensation Administrative Fund and the Second Injury Fund (SIF), limited to any difference in tax or surcharge collections resulting from setting the applicable rates in one-half percentage point increments, as currently required, rather than in one-tenth percentage point increments. Estimated impact could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

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 2027	FY 2028	FY 2029
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§287.690 and 287.715 – Worker’s Compensation Fund

In response to similar legislation, SB 932 (2026), officials from the **Department of Labor and Industrial Relations (DOLIR)** assumed the proposed legislation gives the Division of Workers' Compensation the flexibility to adjust the administrative tax and the second injury fund surcharge rate by one-tenth of a percent versus the current one-half of a percent, allowing the Division to adjust as needed while not over-collecting. There is an unknown fiscal impact to the Workers' Compensation Administrative Fund and Second Injury Fund (SIF), but only to the extent of the difference in respective tax/surcharge collected based on having to set the rates according to the one-half percentage point increment currently required, versus where it would be set based on the one-tenth increment.

Officials from the **Office of Administration – Budget & Planning** assume this proposal modifies provisions in sections 287.690 & 287.715 which changes the workers' compensation insurance company administrative tax rate to be rounded up by one-tenth of a percentage point instead of one-half of a percentage point. To the extent that DOLIR is able to adjust rates by a more precise amount, this may impact future TSR collections.

Officials from the **Department of Corrections** and **Missouri Department of Transportation** both defer to the DOLIR for the potential fiscal impact of this proposal.

Officials from the **Department of Public Safety – Highway Patrol** defer to the MODOT for the potential fiscal impact of this proposal.

Officials from the **Office of Administration (OA)** assume §287.690 of the proposal has the potential to decrease the annual workers' compensation tax liability from 0.5% to 0.1%. The total decrease in annual workers' compensation tax liability to the state is unknown.

Officials from the **Department of Health and Senior Services, Department of Mental Health,** and **Department of Natural Resources** each defer to the OA for the potential fiscal impact of this proposal.

Upon further inquiry, **DOLIR** provided the last four years of collections as follows:

SIF Surcharge/Supplemental Surcharge (§287.715)

Year	Collected Amt	Rate
2022	\$84,308,838	4% (3% Surcharge + 1% Supplemental)
2023	\$64,857,302	3% (3% Surcharge + 0% Supplemental)
2024	\$57,477,082	3% (3% Surcharge + 0% Supplemental)
2025	\$60,947,612	3% (3% Surcharge + 0% Supplemental)

Oversight notes that on average DOLIR collected \$66,897,709 with an average of 3.25%. Therefore, on average the difference between half a percent (\$10,291,955) and one-tenth a percent (\$2,058,391) is **\$8,233,564** (\$10,291,955 - \$2,058,391).

WC Administration Tax/Surcharge (§§287.690 and 287.716)

Year	Collected Amt	Rate
2022	\$18,893,930	1% Administrative Tax & Surcharge
2023	\$27,699,216	1.5% Administrative Tax & Surcharge
2024	\$29,162,312	1.5% Administrative Tax & Surcharge
2025	\$28,842,905	1.5% Administrative Tax & Surcharge

Oversight notes that this legislation allows for year-to-year rate optimization based on the annual volume of workers' compensation caseloads. If the number of cases increases, DOLIR is authorized to adjust the rate upward by one-tenth of one percent to ensure sufficient surcharge funding for both funds. Conversely, if fewer cases are filed, DOLIR may reduce the rate by one-tenth of one percent to avoid imposing excessive costs on employers. Oversight assumes this would have an unknown positive or negative impact.

Officials from the **Department of Commerce and Insurance, Department of Economic Development, Department of Elementary and Secondary Education, Department of Higher Education and Workforce Development, Department of Public Safety (Division of Alcohol and Tobacco Control, Capitol Police, Fire Safety, Missouri Gaming Commission, Missouri Veterans Commission, Office of the Director, State Emergency Management Agency), Department of Revenue, Department of Social Services, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Joint Committee on Legislative Research (Legislative Research and Oversight Division), Missouri Consolidated Health Care Plan, Missouri Department of Agriculture, Missouri Department of Conservation, Missouri Ethics Commission, Missouri House of Representatives, Missouri Lottery Commission, Missouri National Guard, Missouri Senate, Missouri State Employee's Retirement System, Office of Administration (Administrative Hearing Commission), Office of the Governor, Office of the Secretary of State, Office of the State Courts Administrator, Office of the State Public Defender, Office of the State Treasurer, University of Missouri System, and State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

In response to similar legislation, SB 932 (2026), officials from the **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **Missouri University System, University of Central Missouri, and Northwest Missouri State University** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these respective organizations.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight notes that a simple search of the Missouri shows there are currently 312,700 people working for local political subdivision's. Therefore, the local political subdivision forms approximately 10% of total civilian labor force. Oversight will reflect unknown cost avoidance or cost for the local political subdivisions in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost Avoidance/Cost – (§§287.690 & 287.715) Adjustment of the administrative tax on the WC & SIF funds with surcharge rate by one-tenth of a percent p.3</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
SECOND INJURY FUND (1653)			
<u>Revenue Gain/Loss – DOLIR (§§287.715) Adjustment of the administrative tax for SIF supplemental surcharge p.3</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
ESTIMATED NET EFFECT ON SECOND INJURY FUND	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
WORKERS COMPENSATION ADMINISTRATIVE FUND (1652)			
Revenue Gain/Loss – DOLIR (§§287.690 and 287.716) Adjustment of the WC Administration Tax / Surcharge p.3	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON WORKERS COMPENSATION ADMINISTRATIVE FUND	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
Cost Avoidance/Cost - (§§287.690 & 287.715) Adjustment of the administrative tax on the WC & SIF surcharge rate by one-tenth of a percent p.4	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT LOCAL POLITICAL SUBDIVISIONS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Current law allows the Director of the Division of Workers' Compensation to impose taxes or surcharges for different purposes relating to the administration of workers' compensation, with

such tax rate being rounded up to the nearest one-half of a percentage point. This act requires the tax or surcharge rates to instead be rounded up to the nearest one-tenth of a percentage point.

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 Commerce and Insurance
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education and Workforce Development
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
 Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri Veterans Commission
 Office of the Director
 State Emergency Management Agency
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Joint Committee on Legislative Research
 Legislative Research
 Oversight Division
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Department of Transportation
Missouri Ethics Commission
Missouri House of Representatives
Missouri Lottery Commission
Missouri National Guard
Missouri Senate
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration

Administrative Hearing Commission
Budget and Planning
Commissioner's Office
Office of the Governor
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
Missouri University System
University of Central Missouri
Northwest Missouri State University



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