

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5638-01
Bill No.: HB 1609
Subject: Workers Compensation; Construction and Building Codes; Employees -
Employers; Insurance - General
Type: Original
Date: February 17, 2014

Bill Summary: This proposal would modify the definition of "employer" as it relates to workers' compensation.

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations** assume this proposal would include in the definition section of employer "any person or corporation in the construction industry who erects, demolishes, alters, or repairs improvements." A construction industry employer would be required to purchase workers' compensation insurance coverage if it has 5 or more employees.

DOLIR officials stated they do not know how many employers in the construction industry are formed as corporations who could exempt themselves based on another provision of current Workers Compensation Law. For example, employers in the construction industry with not more than 2 owners who are the only 2 employees can exempt themselves from coverage. If employers in the construction industry with fewer than 5 employees exit out of the workers' compensation market then there would be a negative impact on the premium base. DOLIR officials assume there would be an impact on the premium base but the impact is unknown.

Officials from the **Office of the Secretary of State, the Office of Administration - Divisions of Facilities Management, Design and Construction, and General Services, the Department of Economic Development, and the Department of Insurance, Financial Institutions, and Professional Registration** assume the proposal would have no fiscal impact their organizations.

Oversight assumes this proposal would remove the current requirement for employers in the construction industry to have workers' compensation coverage if they have one or more employees, and would require those employers to have workers' compensation coverage only if they have five or more employees.

ASSUMPTION (continued)

Oversight assumes an unknown number of employers would elect to terminate their current insurance coverage. 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.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
WORKERS' COMPENSATION ADMINISTRATION FUND			
<u>Revenue reduction - DOLIR</u>			
Reduction in premium surcharges			
Section 287.030	<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 - DOLIR</u>			
Reduction in premium surcharges			
Section 287.030	<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

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses in the construction industry with one to five employees.

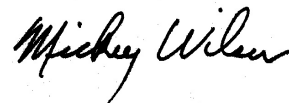
FISCAL DESCRIPTION

This proposal would modify the definition of "employer" as it relates to workers' compensation. A construction industry employer with one employee is currently required to have workers' compensation coverage. If this proposal is implemented, a construction industry employer would be required to have workers' compensation insurance coverage if it has 5 or more employees.

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

Office of the Secretary of State
Office of Administration
 Division of Facilities Management, Design and Construction
 Division of General Services
Department of Economic Development
Department of Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations



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