

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0866-02
Bill No.: HCS for HB 337
Subject: Employees - Employers
Type: Original
Date: April 21, 2015

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Workers' Compensation Administrative Fund	(\$85,880)	(\$86,739)	(\$87,606)
Second Injury Fund	(\$515,280)	(\$520,433)	(\$525,637)
Total Estimated Net Effect on Other State Funds	(\$601,160)	(\$607,172)	(\$613,243)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Economic Development**, the **Department of Revenue**, the **Office of Administration** and the **City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri Department of Conservation** and the **Department of Transportation** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Attorney General's Office** assumed any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state the changes made by the this bill require an employer in the construction industry who alters, erects, demolishes or repairs improvements to be deemed an employer subject to the Workers' Compensation Act only if they have 5 or more employees. It removes the requirement for these employers to maintain workers' compensation coverage if the employer has from one to four employees.

The workers compensation rates taken from the Missouri Residual Market Workers Compensation Rates - composite Scopes Code for Industry Type has a minimum premium for each class code for construction. The minimum premium per policy for each of the construction industry class codes is \$1,000. The expected reduction in the premium base will be at least \$8,588,000. This is based upon the US Census Bureau - Geography Area Series: County Business Patterns By Employment Size Class which states there are 8,588 construction establishments in Missouri with 1-4 employees. Multiplying the minimum premium of \$1,000 times 8,588 establishments equals a premium reduction of \$8,588,000. The fiscal impact to the Division of Workers Compensation would be a decrease in the WC Admin Fund in the amount of at least \$85,880 [1% of \$8,588,000] and to the Second Injury Fund would be a decrease of at least \$515,280 [6% of \$8,588,000].

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
WORKERS' COMPENSATION ADMINISTRATIVE FUND			
<u>Loss - DOLIR</u> Decrease in premium base	<u>(\$85,880)</u>	<u>(\$86,739)</u>	<u>(\$87,606)</u>
ESTIMATED NET EFFECT TO THE WORKERS' COMPENSATION ADMINISTRATIVE FUND	<u>(\$85,880)</u>	<u>(\$86,739)</u>	<u>(\$87,606)</u>
SECOND INJURY FUND			
<u>Loss - DOLIR</u> Decrease in premium base	<u>(\$515,280)</u>	<u>(\$520,433)</u>	<u>(\$525,637)</u>
ESTIMATED NET EFFECT TO THE SECOND INJURY FUND	<u>(\$515,280)</u>	<u>(\$520,433)</u>	<u>(\$525,637)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The original proposal would have added employers in the following types of industries to the types of employers that must have workers compensation insurance if they have only one or more employees:

- (a) Healthcare and social assistance activities classified as NAICS 62;
- (b) Manufacturing activities classified as NAICS 31-33;

FISCAL DESCRIPTION (continued)

- (c) Retail trade activities classified as NAICS 44-45;
- (d) Transportation and warehousing activities classified as 48-49;
- (e) Construction activities classified as NAICS 23;
- (f) Surveying and mapping services activities classified as NAICS 541370;
- (g) Geophysical surveying and mapping services activities classified as NAICS 541360; and
- (h) Engineering services activities classified as NAICS 541330.
- (i) any person or corporation in the construction industry who erects, demolishes, alters, or repairs improvements

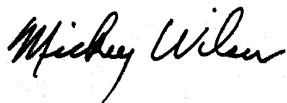
Currently only construction industry employers are deemed employers for workers compensation if they have one or more employees; all other non-construction industry employers are not deemed employers for workers compensation purposes unless they have five or more employees.

This House Committee Substitute eliminates the provisions that add various industries to the types of employers that must have workers compensation insurance if they have one or more employees and adds any person or corporation in the construction industry who erects, demolishes, alters, or repairs improvements to the definition of "employer" as it relates to the Workers' Compensation Law.

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
Missouri Department of Conservation
Department of Transportation
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue



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