

FISCAL NOTE

Bill #: SB0096

Title: Revise waiting period for temporary total disability benefits

Primary

Sponsor: Dale Mahlum

Status: Second Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:		
General Fund	16,468	16,649
State Special Revenue	10,950	11,393
Federal Special Revenue	2,867	2,889
Proprietary Fund	340,862	358,810
University Current Unrestricted	1,394	1,400
Revenue:		
State Special Revenue	0	23,634
Enterprise Fund	\$338,476	\$356,404
Net Impact on General Fund Balance:	(\$16,468)	(\$16,649)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

State of Montana

1. Workers compensation insurance companies will raise premiums to address the increased liability.

2. The impact of increased workers' compensation insurance premiums to the State of Montana is based on FY 2000 expenditure ratios.

State Fund

3. Temporary Total Disability benefits will increase by 2.6%.
4. The State Fund has a statutory requirement to be neither more nor less than self-supporting. Premium rates must be set at a level sufficient to ensure adequate funding of the insurance program, 39-71-2311, MCA. Therefore, an increase in benefits will be offset with an increase in premium rates. The overall rate impact will be an increase of 0.4% to 0.5%.
5. The State Fund is estimating net earned premium of \$75,217,000 for FY 2002. An increase in rates between 2% and 2.5% correlates to an average of \$338,476.
6. The State Fund is estimating net earned premium of \$79,201,000 for FY 2003. An increase in rates between 2% and 2.5% correlates to \$356,404.
7. The premium collected by the State Fund during a fiscal year must be adequate to ensure the ultimate liabilities of the claims incurred in that fiscal year (accident year). The actual expenditures for the claims incurred in an accident year will be paid out over a number of fiscal years. Yet, for demonstration purposes, the entire benefit payments are shown as though all were paid within the accident year.
8. In FY 2003, the State Fund will pay the workers' compensation administrative fee for increased benefits paid in FY 2002.

Department of Labor and Industry

9. The Workers' Compensation Administrative Assessment (02 fund) is collected from insurers based on benefits paid in the prior calendar year. The Administrative Assessment revenues will begin to increase as a result of this legislation in FY 2003.
10. Uninsured Employer Fund (UEF-02 fund) claims filed in FY 2002 and FY 2003 will occur with the same frequency and be of the same severity as FY 2001 claims.
11. Collections from uninsured employers to reimburse the UEF for benefit expenditures will be similar to the FY 2001 rate of 7%.
12. State Fund has 43% of the total benefit expenditures paid by the workers' compensation insurance industry in Montana.

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
State of Montana		
<u>Expenditures:</u>		
Operating Expenses (Insurance Premiums)	33,565	33,938
<u>Funding:</u>		
General Fund	16,468	16,649
State Special Revenue	10,450	10,593
Federal Special Revenue	2,867	2,889
Proprietary Fund	2,386	2,407
University Current Unrestricted	1,394	1,400
<u>Revenues:</u>	0	0

State FundExpenditures:

Benefits	338,476	356,404
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Funding:

Enterprise Fund	338,476	356,404
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Revenues:

Enterprise Fund	338,476	356,404
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Department of Labor and IndustryExpenditures:

Benefits	500	800
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Funding:

State Special Revenue	500	800
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Revenues:

State Special Revenue	0	23,634
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund	(16,468)	(16,649)
State Special Revenue	(10,950)	(11,393)
Federal Special Revenue	(2,867)	(2,889)
Proprietary Fund	(2,386)	(2,407)
University Current Unrestricted	(1,394)	(1,400)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Workers' compensations insurance premiums may increase between 0.4% and 0.5%.