

FISCAL NOTE

Bill #: SB0098

Title: Revise permanent partial disability benefits

Primary

Sponsor: Dale Mahlum

Status: As Introduced

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:		
General Fund	411,688	416,236
State Special Revenue	265,551	273,328
Federal Special Revenue	71,669	72,223
Proprietary Fund	1,559,670	6,187,658
University Current Unrestricted	34,833	35,003
Revenue:		
State Special Revenue	300	105,245
Enterprise Fund	\$6,000,000	\$6,330,000
Net Impact on General Fund Balance:	(\$411,688)	(\$416,236)

<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. Workers' compensation insurance rates are estimated to increase by 8%, without considering any changes in utilization patterns.
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).
5. The State Fund is estimating net earned premium of \$75,217,000 for FY 2002. An increase in rates of 8% correlates to \$6 million.
6. The State Fund is estimating net earned premium of \$79,201,000 for FY 2003. An increase in rates of 8% correlates to \$6.33 million.
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 may be paid out over a number of fiscal years. Yet, for demonstration purposes, since permanent partial disability benefit payments are delayed about 9 months after an injury, only ¼ of benefit payments are shown in FY 2002. And for demonstration purposes in FY 2003, the benefit payments are shown as though the remaining from FY 2002 and ¼ of FY 2003 were paid.
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)	839,110	848,448
<u>Funding:</u>		
General Fund	411,688	416,236
State Special Revenue	261,251	264,828
Federal Special Revenue	71,669	72,223
Proprietary Fund	59,669	60,158
University Current Unrestricted	34,833	35,003
<u>Revenues:</u>	0	0

State FundExpenditures:

Operating Expenses	0	45,000
Benefits	1,500,000	6,082,500

Funding:

Enterprise Fund (06)	\$6,000,000	\$6,330,000
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Revenues:

Enterprise Fund (06)	\$6,000,00	\$6,330,000
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During the biennium, premium revenue will exceed the benefit payment expenditures. The premium revenue collected during the biennium plus investment earnings on those revenues will fund the ultimate liability of the claims incurred during the biennium.

Department of Labor and IndustryExpenditures:

Benefits	4,300	8,500
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Funding:

State Special Revenue	4,300	8,500
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Revenues:

State Special Revenue	300	105,245
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Workers' compensation insurance premiums may increase by 8% to 10%.

LONG-RANGE IMPACTS:

There will be an increase in workers' compensation premiums.