

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 394 (Chairman, Finance Committee)
(Departmental - Education)

Finance

Workers' Compensation - Students in Unpaid Work-Based Learning Experiences

This departmental bill provides workers' compensation coverage for students in unpaid work-based learning experiences by defining them as covered employees for the purposes of workers' compensation. An unpaid work-based learning experience is defined as one that occurs in the workplace, links with classroom instruction, and is coordinated by a county board of education. The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: Minimal increase in expenditures by State agencies for workers' compensation costs if students in unpaid work-based learning experiences are placed in these agencies. Minimal increase in off-budget expenditures and revenues of Injured Workers' Insurance Fund (IWIF) related to claims by these students.

Local Effect: Minimal increase in expenditures by local governments for workers' compensation costs if students in unpaid work-based learning experiences are placed in the local government.

Small Business Effect: The State Department of Education (MSDE) has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment as discussed below.

Fiscal Analysis

State Expenditures: To the extent that State agencies accept students for unpaid work-based learning experiences, the State would be required to provide workers' compensation coverage for these students. This would result in a minimal increase in expenditures of all fund types. Coverage would be provided by IWIF, an off-budget State agency that provides workers' compensation coverage to the State and other employers. IWIF reports that its administrative and claims costs would increase by approximately \$246,000 per year, which would be reflected in higher premiums for insured employers covering such students. This estimate is based on 50 medical claims and 15 benefit claims per year; actual costs will vary higher or lower based on actual experience.

Local Expenditures: To the extent that local governments accept students for unpaid work-based learning experiences, the employer would be required to provide workers' compensation coverage for these students, resulting in a minimal increase in expenditures.

Small Business Effect: MSDE estimates minimal or no impact on small businesses. Employers will be required to provide workers' compensation coverage to unpaid student workers and premiums could increase slightly in the event that additional claims are made against the policy. MSDE estimates, however, that these employers will benefit from protection against tort suits when unpaid student workers are injured at the job site. MSDE estimates that small businesses will not bear disproportionate financial burdens or suffer non-competitive consequences as a result of this legislation. Fiscal Services generally concurs with MSDE's estimates. Fiscal Services notes, however, that even if these unpaid student workers do not file workers' compensation claims, there may be additional costs to the employer simply for providing workers' compensation coverage to an additional person.

Information Source(s): Injured Workers' Insurance Fund, Subsequent Injury Fund, Uninsured Employers' Fund, Workers' Compensation Commission, Department of Fiscal Services

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