

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE  
 Revised

Senate Bill 66 (Chairman, Finance Committee and  
 Chairman, Budget and Taxation Committee)  
 (Departmental - Uninsured Employers' Fund)

Finance and Budget and Taxation

**Uninsured Employers' Fund - Special Fund**

This departmental bill alters the revenue source for the administration of the Uninsured Employers' Fund (UEF) from general funds to special funds. The bill also alters the parameters for the suspension and resumption of the 1% UEF assessment depending on the amount in the Uninsured Employers' Fund.

**Fiscal Summary**

**State Effect:** General fund revenues and expenditures decrease by \$761,637 per year, and special fund revenues and expenditures increase by the same amount, due to Uninsured Employers' Fund revenue source shifting to special funds. Future year expenditures reflect 3% growth in agency administrative expenses. The FY 2000 general fund budget is reduced by \$761,637 contingent on enactment of this bill. The agency will submit a special fund budget amendment in the same amount.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$761,600)	(\$784,500)	(\$808,000)	(\$832,300)	(\$857,200)
SF Revenues	761,600	784,500	808,000	832,300	857,200
GF Expenditures	(\$761,600)	(\$784,500)	(\$808,000)	(\$832,300)	(\$857,200)
SF Expenditures	761,600	784,500	808,000	832,300	857,200
Net Effect	\$0	\$0	\$0	\$0	\$0

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

**Local Effect:** None.

**Small Business Effect:** The Uninsured Employers' Fund has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this

assessment. (The attached assessment does not reflect amendments to the bill.)

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## Fiscal Analysis

**Background:** The Uninsured Employers' Fund compensates injured workers employed by non-insured employers who default in payment. The Workers' Compensation Commission imposes a 1% assessment on all workers' compensation permanent disability or death awards or settlements approved by the commission. The 1% assessment activates if the fund's balance drops below \$1 million and suspends if the balance is at least \$2.5 million. The assessments are paid to the fund by employers or their insurers. In fiscal 1998, the fund received \$258,523 from these assessments.

In addition, the commission imposes various assessments on uninsured employers to maintain the fund's solvency and sanction uninsured employers. The fund collected \$152,357 from these penalties in fiscal 1998. Other revenue, including interest and collections, brought the fund's fiscal 1998 revenue to \$796,080. These funds are used to fund benefit claims and not for administrative expenses of the agency. Benefit claims totaled \$1.5 million, for a "loss" of \$708,850. The fund's balance at the end of fiscal 1998 was \$1,150,788.

**State Effect:** The agency's fiscal 1999 general fund working appropriation was \$738,000. Funds for the agency's administration derive from a portion of the maintenance assessment under Section 9-136 of the Labor and Employment Article imposed by the Workers' Compensation Commission to fund the administration of the commission and the UEF.

Under the proposal, the assessment would remain constant at 1%. The assessment would activate if the fund's balance dropped below \$3 million and would be suspended if the balance became at least \$5 million. The assessment and the other penalty revenues would provide the special funds for the agency's budget and benefit payments. The commission would no longer impose the portion of the maintenance assessment that previously provided the general funds for the UEF's budget.

The agency estimates that the total funds collected will remain approximately the same, and the portion of those funds used to administer the agency will remain unchanged. If the special fund revenues from the 1% assessment and the other penalty revenues were inadequate, the commission has the authority to impose an additional 1% assessment.

The fiscal 2000 State budget includes \$761,637 for the administration of the UEF. Accordingly, general fund revenues and expenditures would decline by that amount and special fund revenues and expenditures would increase by that amount.

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

**Fiscal Note History:** First Reader - January 21, 1999  
nncsjr Revised - Senate Third Reader - March 26, 1999  
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