

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

Senate Bill 772

(Senator Bromwell)

Finance

Economic Matters

Workers' Compensation - Workers' Compensation Commission - Budget Process

This bill creates a 12-member advisory committee to review the annual budget of the Workers' Compensation Commission. A Workers' Compensation Fund is established to pay all costs and expenses of the commission.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: To establish a new special fund, FY 2003 general fund revenues and expenditures would each decrease by \$20.5 million, and special fund (Workers' Compensation Fund) revenues and expenditures would each increase by an equal amount. Any expense reimbursements for advisory committee members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill creates a 12-member advisory committee to review the annual proposed budget of the commission. The Governor appoints the committee with the advice and consent of the Senate and must ensure that each geographic region of the State is represented. The composition of the committee must represent:

- business;
- labor;
- the insurance industry;
- the vocational rehabilitation industry;
- the medical profession;
- claimant's bar; and
- defense bar.

Members receive no compensation, but are entitled to standard State travel reimbursement.

By September 1 of each year, the commission must prepare its tentative operating budget and submit it to the committee for review. The commission must give due consideration to the committee's recommendations prior to submitting its final budget to the Governor. By December 1, the committee must submit a report to the Governor and the General Assembly on the recommendations it made to the commission on the commission's budget. The Governor must also give due consideration to the committee's recommendations.

The bill creates the Workers' Compensation Fund to pay specified costs and expenses of the commission including expenditures authorized by law, the cost of State employees specifically assigned to the commission, reasonable expenses of the budget advisory committee, and any other expenses authorized in the State budget, including costs relating to the administration of the Occupational Safety and Health Program by the Commissioner of Labor and Industry. As is current practice, the fund's main source of income is through a tax assessment on all insurers. The commission must calculate the assessment for each insurer before each fiscal year, follow a specified formula for determining the assessment percentage, and adjust for any variances between projected and actual expenditures. Any interest generated by the fund would be used in the calculation to decrease the assessment.

Expenditures may only be made with an appropriation from the fund approved by the General Assembly in the State budget, or through the budget amendment procedure.

If fiscal year revenue, plus 1% for unanticipated expenditures, exceeds the actual appropriation, the balance must be carried forward to reduce the assessment for expenditures for the following fiscal year. If revenue is insufficient to cover expenditures and expenditures are made through the budget amendment procedure, an additional assessment for the expenditures may be made.

The State Treasurer is custodian of the continuing, nonlapsing fund and must deposit payments received from the commission into the fund. Unless otherwise provided by

law, no part of the fund may revert or be credited to the general fund or another special fund.

The commission will continue to pay all fines and penalties collected into the general fund.

Current Law: An appropriation for the costs and expenses for the commission is included in the State budget and paid out of the State general fund. The commission reimburses the general fund from the money it collects, the primary source of which is a tax assessment on insurance companies based on the amount of insured payroll.

As early as practicable in each State fiscal year, the commission must prepare an estimate of costs and expenses, adjust for the actual expenditures from the previous year, and divide the amount by the total insured payroll of all insurers. All money collected is paid to the State Treasurer to reimburse the general fund.

Fines and penalties collected by the commission are paid into the general fund.

State Fiscal Effect: An estimated \$20.5 million would be transferred from the general fund into the workers' compensation fund in fiscal 2003. This amount represents the estimated operating budget of the commission (fiscal 2003 allowance is \$11,854,432), including costs relating to the State judicial retirement system, as well as costs covered by the commission relating to the administration of occupational safety and health programs in the Division of Labor and Industry (fiscal 2003 allowance is \$6,626,765), and State and federal indirect cost recovery.

Fines and penalties collected by the commission would continue to be paid into the general fund with no net change.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 26, 2002
lc/cer Revised - Senate Third Reader - March 26, 2002

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