HB 753

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 753 (Delegates Wood and Elmore)
Economic Matters

Workers' Compensation - Subsequent Injury Fund - Assessments

This bill reduces the Subsequent Injury Fund (SIF) assessment that the Workers' Compensation Commission (WCC) imposes on all awards and settlements from 6.5% to 4%.

Fiscal Summary

State Effect: Nonbudgeted special fund assessments could decrease by $7.5 million in FY 2005 due to the reduction in the SIF assessment rate. State expenditures for workers' compensation awards and settlements, all funds, will decrease by $525,000 in FY 2005. Out-year estimates reflect inflation.

($ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
NonBud Rev.	($7.5)	($7.7)	($8.0)	($8.2)	($8.4)
GF/SF/FF Exp.	(.5)	(.5)	(.6)	(.6)	(.6)
Net Effect	($7.0)	($7.2)	($7.4)	($7.6)	($7.8)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: SIF receives special funds from a legislatively mandated 6.5% assessment on: (1) awards against employers or insurers for permanent disability or death; and (2) amounts payable by employers or insurers under settlement agreements, including those agreements approved by the commission.

Background: SIF compensates injured workers whose preexisting injuries, diseases, or congenital conditions are substantially worsened by their current injuries. Its purpose is to encourage the employment of disabled individuals by limiting an employer's liability should a subsequent occupational injury render an individual permanently disabled or result in death. Employers or their insurers are only liable for damage caused by current injuries. SIF is then liable for damage from the combined effects of any injuries and conditions.

The current assessment rate of 6.5% was set to expire on July 1, 2003 after which the rate would have been 5%. Chapter 63 of 2003 removed the sunset date of the assessment rate and provided a permanent rate of 6.5%.

State Fiscal Effect: The agency's fiscal 2003 actual assessments were $18.4 million. Assuming 3% annual growth, estimated fiscal 2005 assessments would be $19.5 million. Applying the lower assessment rate of 4% would yield $12.0 million, a reduction in assessment revenue of $7.5 million.

SIF currently has approximately $42 million in reserves. A recent actuarial valuation indicated that the unfunded liabilities of the fund were approximately $137 million. SIF indicates the revenue loss resulting from the bill would deplete the fund by fiscal 2009.

Based on fiscal 2003 data, the Injured Workers' Insurance Fund (IWIF) estimates that assessments on State claims and settlements would be reduced by $523,519 in fiscal 2005 due to the lower rate. IWIF's total expenditures, including its non-State business, would be reduced by $1.7 million based on fiscal 2003. Future year reductions could vary significantly due to claim and settlement patterns. Estimates provided here reflect 3% inflation.

Additional Information

Prior Introductions: In 2003, SB 106 repealed the sunset of the 6.5% rate and was enacted as Chapter 63.

Cross File: SB 467 (Senator Astle) – Finance.

Information Source(s): Workers' Compensation Commission, Subsequent Injury Fund, Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2004
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