

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 191 (Chairman, Economic Matters Committee)
 (By Request – Departmental – Workers’ Compensation Commission)

Economic Matters Finance

Workers' Compensation - Governmental Self-Insurance Group and Self-Insurance by Individual Employers

This departmental bill increases from \$500 to \$1,500 the annual assessment charged to self-insured employers for actuarial studies and audits.

The bill is effective July 1, 2006.

Fiscal Summary

State Effect: The Workers’ Compensation Commission (WCC) special fund revenues would increase by \$120,000 annually for the increase in assessments for self-insurers. Expenditures would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000

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

Local Effect: Expenditures for each local government that is self-insured would increase \$1,000 annually.

Small Business Effect: WCC has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Certain qualifying governmental and individual employers are authorized under State law to be self-insured for workers' compensation if approved by WCC. As part of the approval process, WCC requires documentation of adequate net worth and bonding. Self-insured employers pay an annual assessment to WCC of \$500 for actuarial studies and audits.

Background: There were 117 authorized self-insured employers during fiscal 2005 covering 419,400 employees in Maryland. In fiscal 2005, four audits of self-insurers were completed or in progress. WCC indicates that audits are conducted to provide reasonable assurance that self-insured employers are in compliance with the law and are providing adequate security to the State in the event of default on workers' compensation payments.

State Fiscal Effect: WCC currently collects about \$60,000 annually for the audit fee assessment. The bill would increase WCC special fund revenues by approximately \$120,000 annually assuming no significant change in the number of self-insured employers. The bill does not require an increase in expenditures but presumably WCC will contract for additional audits and/or actuarial studies. WCC estimates that a minimum of \$180,000 is needed annually to audit every self-insured employer at least once each five years. WCC intends to have 24 audits conducted annually at an average cost of \$7,500 each.

Local Expenditures: Self-insured local government expenditures will increase \$1,000 annually. The chart below provides a list of current self-insured local governments in Maryland.

Self-insured Local Governments

- | | |
|------------------------|---|
| 1. Anne Arundel County | 8. Prince George's County |
| 2. Baltimore County | 9. Washington County |
| 3. Baltimore City | 10. City of Annapolis |
| 4. Carroll County | 11. Town of Ocean City |
| 5. Harford County | 12. MD Association of Boards of Education |
| 6. Howard County | 13. Washington Metro Area Transit Authority |
| 7. Montgomery County | 14. Washington Suburban Sanitary Commission |

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, Maryland Insurance Administration, Department of Legislative Services

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ncs/jr

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