

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 591 (Montgomery County Delegation)
Economic Matters

Montgomery County – Workers’ Compensation - Average Weekly Wage
Computation
MC 701-07

This bill requires the Montgomery County Self-Insurance Program to calculate the average weekly wage of a covered employee by determining the average wage earned by the employee in the 14 weeks preceding the accidental personal injury, rather than the standard 13 weeks. Calculation of average weekly wage includes vacation wages, but not periods of involuntary layoff or involuntary authorized absences.

The bill takes effect July 1, 2007 and applies only to applications filed on or after the effective date.

Fiscal Summary

State Effect: This bill would not materially affect State finances or operations.

Local Effect: Potential minimal reduction in Montgomery County expenditures resulting from improved administrative efficiencies. Revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: For purposes of workers’ compensation, the average weekly wage of a covered employee is based on the employee’s average full-time weekly wage at the time of the accidental personal injury or last injurious exposure to the hazards of an

occupational disease. This calculation must include tips and the reasonable value of housing, meals, and other similar advantages provided by the employer.

State regulations further specify that the Workers' Compensation Commission (WCC) has to determine the average gross weekly wage, including overtime, from information filed with the commission. That information includes the average wage earned by the employee in the 13 weeks before the accident or exposure, including vacation wages. Periods of involuntary layoff or involuntary authorized absences do not figure in the calculation of average weekly wage.

State law does not currently include any other exceptions to the 13-week standard calculation of average weekly wage.

Background: The Montgomery County Office of the Inspector General issued a July 2006 report that found that many indemnity payments were not being accurately calculated using the 13-week standard required by WCC. Because the county operates on a bi-weekly payment schedule, an accurate determination requires an agency to pull an employee's record and manually calculate the value of the thirteenth week of wages. The inspector general found that many agencies were instead using a 14-week average or estimating the value of the thirteenth week based on an average of a bi-weekly pay stub. The inspector general concluded that these methods caused or contributed to payment errors.

Local Fiscal Effect: Montgomery County advises that the county agencies participating in the self-insurance program could realize administrative efficiencies if a 14-week standard were adopted. With more than 1,000 claims processed each year, the county estimates that this bill could reduce the administrative time to process claims by more than 300 total work hours each year. There would be no anticipated change in the aggregate value of claims paid by the county.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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nas/hlb

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