
Detailed Fiscal Analysis

Additional administrative assessments

The bill clarifies procedures for the operation of the Workers' Compensation Council (WCC), first created in H.B. 100 of the 127th General Assembly. These changes are primarily administrative in nature and the majority would therefore have no fiscal effect on the state. However, the bill does authorize WCC to charge public and private employers—via the Director of the Bureau of Workers' Compensation (BWC)—an administrative assessment to cover the cost of its operations. As such, all state agencies and local subdivisions will be charged an additional administrative assessment to pay for WCC. WCC's entire budget will be funded through this administrative assessment. Because WCC is a newly created agency that began operations this year, its budget for FY 2009 is \$520,000 (approximately \$650,000 on an annualized basis), but will probably be larger in future fiscal years when additional staff is hired.

The nature and size of each agency or subdivision will affect how large the additional cost will be. BWC uses a formula to divide its administrative assessment amongst employers according to the amount of time and resources it spends on each employer. Employers which require the most attention pay the greatest portion of the assessment and vice versa. WCC expects to use BWC's formula to divide its assessment between employers in the same manner.

For FY 2008, the total amount of administrative assessments collected from all public and private employers was \$284.35 million. State employers paid approximately \$8 million in administrative assessments and local government employers paid \$29 million. Thus, state employers paid 3.1% and local governments paid 10.2% of BWC's total administrative costs. Applying these percentages to WCC's budgets for FY 2009 and FY 2010 (assumed to be \$650,000 each year) yields the following results.

Estimated Public Employer Administrative Assessments for the Workers' Compensation Council		
Public Employer	FY 2009 (\$)	FY 2010 (\$)
Local Governments	53,040	66,300
State Agencies	16,120	20,150

Since there are 114 state agencies—77 smaller agencies and boards, 25 executive agencies, and 12 other elected, legislative, or judicial agencies—the average additional assessment paid per state agency would be approximately \$141 for FY 2009 and \$176 in FY 2010. Since there are 2,335 local governments—1,308 townships, 688 villages, 251 cities, 88 counties—the average additional assessment paid per local government would be approximately \$23 for FY 2009 and \$28 in FY 2010.

Transfers and Appropriations

The bill also creates two new permanent funds and makes an appropriation of \$315,000 to replace temporary funding measures approved by the Controlling Board in October of 2008. The bill authorizes the transfer of money in the temporary Controlling Board fund to the two new permanent funds. Revenue to these funds will be the additional administrative assessments charged to employers. The appropriation will be used to pay the salary and fringe benefit costs of the Council.

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