



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0674
Author: S. Martin
Subject: Workers' Compensation Act
Requestor: Senate Judiciary
RFA Analyst(s): Wren and Stein
Impact Date: March 8, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	At Minimum (\$18,781,000)	\$0
Other and Federal	At Minimum (\$2,500,000)	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds. Current employees of the Workers' Compensation Commission and related funding would be transferred to the Department of Insurance.

This bill would reduce General Fund revenue by \$18,781,000 at a minimum, and Other Funds revenue would be reduced by \$2,500,000 at a minimum. These revenue estimates could increase depending upon the number of employers, with the exception of public employers, who may elect to waive workers' compensation insurance coverage.

Explanation of Fiscal Impact

State Expenditure

This bill repeals Title 42, which is the Workers' Compensation Act and adds Title 64, which places the Workers' Compensation Commission as a division within the Department of Insurance. The bill provides for the general operation and administration of this new division. Section 64-23-300 requires the division of Workers' Compensation to consult with the Department of Employment and Workforce in the design of data information and retrieval systems to accomplish the mutual purposes of the division and the Department of Employment of Workforce.

Department of Insurance. The department reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds, since all employees and

appropriations associated with the duties and responsibilities of the Workers' Compensation Commission are transferred to the Department of Insurance.

Workers' Compensation Commission. The agency indicates that all of its expenses will cease to exist if this bill is enacted. Therefore, any expenses associated with this bill would be passed on to the Department of Insurance.

Department of Employment and Workforce. The department indicates that they are unable to determine the expenditure impact of this bill due to the requirement of Section 64-23-300, which provides that the division of Workers' Compensation Commission must consult with the department in the design of data information and retrieval systems to accomplish the mutual purpose of the division and the department.

State Revenue

This bill repeals Title 42, which is the current Workers' Compensation Act and adds Title 64, which places the Workers' Compensation Commission as a division within the Department of Insurance. The bill provides for the general operation and administration of the new division. Section 64-11-105 of the bill provides that except for public employers, an employer may elect to obtain worker's compensation insurance coverage. An employer who does not obtain workers' compensation insurance coverage must notify the division in writing. Each employer must post a notice of whether the employer has workers' compensation insurance coverage at conspicuous locations at the employer's place of business to provide reasonable notice to employees. Section 64-25-100 of the bill establishes the Office of Risk Management of the Department of Insurance. The Office of Risk Management will be administratively attached to the office of the Attorney General, and the Attorney General's Office must provide the facilities for the office, but the Office of Risk Management shall be independent of the office of the Attorney General's direction. The Office of Risk Management will be administered through money appropriated by the legislature and through the allocation program for the financing of state workers' compensation benefits and risk management costs. Section 64-13-300 increases the application fee for self-insured employers from \$250 to \$1,000. Maintenance taxes associated with various sections of Title 64 of this bill are reduced from 2.5% to 0.01%.

Based upon information obtained from the Workers' Compensation Commission, the current application fee for self-insured employers is \$250. This bill proposes to increase the application fee to \$1,000. In FY 2014-15, there were 2,025 self-insured employers. Assuming a similar number of self-insured employers in FY 2016-17, the increased application fee would generate an additional \$1,519,000 in General Fund revenue. Additionally, this bill reduces various current maintenance taxes from 2.5% to 0.01%. Based upon data from the Workers' Compensation Commission, maintenance taxes generated approximately \$18 million in General Fund revenue in FY 2014-15. Assuming a similar pattern in FY 2016-17, General Fund revenue would be reduced by approximately \$17.8 million. Additionally, self-insureds currently pay the 2.5% maintenance tax as well. In FY 2014-15, this tax generated \$4.5 million. Fifty percent of the \$4.5 million was allocated to the General Fund and the remaining fifty percent was allocated to Other Funds. Assuming a similar pattern in FY 2016-17, General Fund revenue and Other Fund revenue would each be reduced by approximately \$2,500,000. In summary, General Fund revenue would be reduced by \$18,781,000 at a minimum, and Other Funds revenue would be

reduced by \$2,500,000 at a minimum in FY 2016-17. These estimates could increase depending upon the number of employers, with the exception of public employers, who may elect to waive workers' compensation insurance coverage.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director