



VERMONT LEGISLATIVE Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

Fiscal Note

May 23, 2022

Daniel Dickerson

H.559 (Act 144) - An act relating to workers' compensation

As passed by the General Assembly

URL for bill:

<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT144/ACT144%20As%20Enacted.pdf>

Bill Summary

This bill proposes to increase the rate of contribution for the direct calendar year premium for workers' compensation insurance to 1.5% in fiscal year 2023. The rate is currently 1.4%.

Fiscal Impact

JFO estimates that the rate change will increase revenues to the Workers' Compensation Administration Fund by approximately \$165,000 in fiscal year 2023.

Details

The Workers' Compensation Administration Fund receives annual proceeds from two contributions:

1. A contribution from employers calculated as a percentage of workers' compensation insurance premiums paid. This rate is required to be set annually by the General Assembly. *This rate is currently 1.4% with proposed change to 1.5% in H.559*
2. A contribution from self-insured entities calculated as a percentage of workers' compensation losses. *This rate is currently 1.0% with no change proposed*

Together these contributions fund the workers' compensation program within the Vermont Department of Labor (Department). Per the Department, the workers' compensation program will have an operating budget of approximately \$2.8 million in fiscal year 2023 (excluding IT upgrade costs that are detailed below).

A three-year statement of revenues and expenses for the Workers' Compensation Administration Fund is shown on the following page. Revenues were stable in FY19 and FY20 but decreased in FY21, primarily due to decreased employer contribution revenues. This reduction is most likely a product of the pandemic with more employees working from home and employers paying less in workers' compensation premiums.

The Workers' Compensation Administration Fund currently has a sizeable surplus that has grown in recent years. The Department plans to use much of this surplus over the next few years to implement information

technology upgrades, with an estimated project cost of \$4.4 million not including Department of Labor staff time. The contribution rate increase is meant to cover expected fiscal year 2023 operating costs with the expectation that the fund surplus will be dedicated to the IT project.

Workers' Compensation Administration Fund revenues and expenses (FY2019-2021)			
	FY2019	FY2020	FY2021
Balance – beginning of year	\$6,497,325.48	\$6,765,103.70	\$7,262,903.72
Revenues			
<i>Employer contribution (1.4%)</i>	\$2,483,243.15	\$2,471,624.35	\$2,191,392.11
<i>Self-Insured contribution (1.0%)</i>	\$208,543.80	\$283,481.23	\$264,418.65
<i>Other</i>	\$772.27	\$436.38	\$215.59
Total Revenues	\$2,692,559.22	\$2,755,541.96	\$2,456,026.35
Expenses	(\$2,424,781.00)	(\$2,257,741.94)	(\$1,094,575.64)
Balance – end of year	\$6,765,103.70	\$7,262,903.72	\$8,624,354.43