

# FISCAL NOTE

Requested by Legislative Council  
01/18/2005

Bill/Resolution No.: HB 1510

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$19,400,000		\$19,982,000
<b>Expenditures</b>		\$150,000		\$19,400,000		\$19,982,000
<b>Appropriations</b>				\$3,104,000		\$3,197,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

WORKFORCE SAFETY & INSURANCE  
2005 LEGISLATION  
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Removal of Agricultural Exemption

BILL NO: HB 1510

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation mandates workers compensation coverage for agricultural employees and creates a new section relating to the requirement that an employer provide workers' compensation coverage for an employee.

FISCAL IMPACT: A census of agriculture conducted in 2002 by the United States Department of Agriculture revealed 30,619 farms in North Dakota of which 9,208 reported farm labor. The census reported \$141 million in farm wages for 25,767 actual employees for an average of \$5,472 per employee.

Based on the census information, it is anticipated that mandating workers' compensation coverage for agricultural employees will have the following impact:

Workers compensation coverage among agricultural employers/employees will expand significantly. The number of employer accounts covered by WSI will increase by approximately 45%.

We have no way to determine in advance if current base rates for the agricultural class will be appropriate for the newly covered exposures. Loss costs for the newly added employers may be either higher or lower than costs contemplated

by current rates. To the extent that differences exist, rates will be adjusted over time.

Total premiums for agricultural operations that currently opt for coverage are approximately \$800,000. Estimated premiums for the agricultural classification under the legislative proposal after adjusting the census information for wage inflation (3% per year) and applying current premium rate levels would be \$10.5 million. Thus, it is anticipated that the net additional premiums necessary to cover the expected losses and administrative costs for the new agricultural exposures would be approximately \$9.7 million per year or \$19.4 million for the biennium.

Administrative costs account for approximately 16% of premiums. Estimated additional administrative costs anticipated with the new exposures would be \$1,552,000 per year (16% of \$9.7 million) or \$3,104,000 for the biennium. A biennial appropriation of \$3,104,000 out of the workers compensation fund would be necessary to fund the additional administrative resources needed to service and maintain the expanded employer account base. This represents approximately a 9.3% increase from our current appropriation request. Increasing WSI's current FTE authority of 223 FTEs by 9.3% would indicate a need of 21 additional FTEs. It is estimated that an additional 15 to 21 FTEs would be necessary to dedicate towards the increased underwriting, claims handling, and safety services associated with the expanded employer account base.

The proposed legislation implies an effective date of August 1, 2005. To enroll potentially 9,000 new accounts by this date, WSI will need to enlist temporary help to assist in gathering the necessary information and applications required to obtain coverage. An additional expenditure out of the workers compensation fund of approximately \$150,000 would be necessary to cover these one-time expenditures (Basis: 30 workers processing 240 applications per day at \$15 per hour over an 8 week time period). These expenditures would be predominantly incurred during the 2003-05 biennium.

DATE: January 23, 2005

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

see narrative

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

see narrative

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

see narrative

**Name:** John Halvorson  
**Phone Number:** 328-3760

**Agency:** WSI  
**Date Prepared:** 01/23/2005