

FISCAL NOTE
Requested by Legislative Council
01/18/2021

Bill/Resolution No.: HB 1408

- 1 A. **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.*

| | 2019-2021 Biennium | | 2021-2023 Biennium | | 2023-2025 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

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

| | 2019-2021 Biennium | 2021-2023 Biennium | 2023-2025 Biennium |
|------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

see attached

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

see attached

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.*

- 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.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Date Prepared: 01/29/2021

WORKFORCE SAFETY & INSURANCE
2021 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL NO: HB 1408

BILL DESCRIPTION: Definition of Wages

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its consulting actuaries, The Burkhalter Group, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation amends the definition of wages for benefit calculation purposes to include employer paid health insurance premiums and retirement contributions.

FISCAL IMPACT:

Not quantifiable due to insufficient data to permit a comprehensive evaluation of the potential rate level and reserve impact of this proposed legislation. Employers differ significantly in the area of health insurance offered to employees, ranging from none provided to providing health insurance and paying 0% of the premium to 100% of the premiums. Similarly, retirement benefits are not standardized. In private industry, retirement is usually provided through a 401k vehicle. Participation is not required and often contains minimum tenure requirements. The amount that the employee can contribute varies by employer as does the amount that is matched (paid) by the employer.

Current North Dakota indemnity benefits are two-thirds of the injured employee's average weekly wage, subject to a minimum weekly benefit of \$620 and a maximum weekly benefit of \$1,292. In addition, North Dakota statutes state that an injured employee's weekly benefit may not exceed the weekly wage of the employee after deductions for social security taxes and federal incomes taxes. The weekly wage to qualify for the minimum weekly benefit of \$620 is \$929.54 ($\$620 / .667 = \929.54), or an annual wage of \$48,336. According to North Dakota Employment Service's latest available data, the median annual employee wage is \$42,510. This implies that over 50% of the covered workforce would not see an enhancement in potential workers' compensation benefits under this bill. Only the higher wage earners, whose employers also pay for portions of their health insurance and retirement, could see a higher weekly indemnity benefit under this bill.

It is anticipated that there could be administrative difficulties under this bill. The amount(s) that an employer pays for an employee's health insurance and retirement are not shown on the employee's W-2 nor federal income tax return. This will require additional investigation by WSI and additional data from the employer.

DATE: January 29, 2021