



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3406 Introduced on January 11, 2017
Author: G.M. Smith
Subject: Maintenance Tax Imposed by Workers' Compensation Commission
Requestor: Senate Finance
RFA Analyst(s): Heineman
Impact Date: April 12, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$2,450,000
Other and Federal	\$0	\$2,450,000
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

With the repeal of the sunset provision, we estimate that maintenance tax revenue would amount to \$4,900,000 in FY 2018-19. Of that amount, General Fund revenue would increase by \$2,450,000 and retained Other Funds of the commission would increase by \$2,450,000 to pay the salaries and expenses of the commission.

Explanation of Fiscal Impact

Introduced on January 11, 2017

State Expenditure

The Workers' Compensation Commission indicates this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

This bill extends the maintenance tax imposed by the Workers' Compensation Commission (commission) on self-insurers past July 1, 2018, by removing the sunset provision in Act 95 of 2013, which requires the tax to terminate five years after its effective date of July 1, 2013. Under current law, the commission assesses the tax at a rate of two and one-half percent of the actual cost of securing the payment of compensation as determined by the commission. The commission retains the greater of 50 percent or \$2,200,000 of the maintenance tax revenues and uses these funds to pay the salaries and expenses of the commission. The balance of the maintenance tax revenues must be remitted to the State Treasurer for credit to the General Fund.

For interest assessed on late payments of the maintenance tax collected, 50 percent will be retained by the commission and the other 50 percent must be remitted to the State Treasurer for credit to the General Fund.

Based on data provided by the commission, \$4,870,208 in total maintenance taxes were received in FY 2015-16. Of that amount, \$2,448,353 was transferred to the General Fund, and the commission retained \$2,421,855. Under the current sunset provision, the General Fund and Other Funds of the commission would decline by \$2,450,000 each beginning in FY 2018-19. The November 2017 RFA General Fund revenue estimate for FY 2018-19 would reflect this reduction. The \$2,450,000 Other Funds revenue reduction for the agency represents approximately 36 percent of total funding for the agency. The commission has not determined how they would proceed with this level of budget reduction.

Given the repeal of the sunset provision as proposed in this legislation, we estimate that maintenance tax revenue would amount to \$4,900,000 in FY 2018-19. Of that amount, General Fund revenue would increase by \$2,450,000 and retained Other Funds of the commission would increase by \$2,450,000 to pay the salaries and expenses of the commission.

Workers' Compensation Commission Self Insurance Tax Revenues Activity Through FY 2012-13 – FY 2015-16 (Revised February 15, 2017)			
	Total Maintenance Tax Collected	Transferred to General Fund	Retained by Commission
FY13	\$4,830,244.00	\$4,830,244.00	\$0
FY14	\$4,845,266.00	\$2,422,633.00	\$2,422,633.00
FY15	\$4,745,831.00	\$2,400,467.00	\$2,345,364.00
FY16	\$4,870,208.00	\$2,448,353.00	\$2,421,855.00

Source: Workers' Compensation Commission

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director