DCBS | Consumer and Business Services

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Workers' Benefit Fund Balance
House Bill 2788

Background:
The Workers' Benefit Fund pays for a variety of programs that help injured workers and their employers. It provides benefit increases to permanently and totally disabled workers and to families of workers who died as the result of a workplace injury or disease. It also supports Oregon's return-to-work programs that help injured workers quickly return to work, including financial assistance to employers that hire injured workers. The fund revenue comes from a cents-per-hour payroll assessment. Employers and employees each pay half of the assessment, currently 2.4 cents per hour worked.

In 2014, the Legislature reduced the required balance of the Workers' Benefit Fund to six months of projected expenditures. The bill required the Workers' Compensation Management-Labor Advisory Committee (MLAC) to review this change and report to the Legislative Assembly about whether to retain or change the fund balance requirement. MLAC conducted this study in 2018; a full copy of the study report is available at https://www.oregon.gov/DCBS/mlac/Pages/mlac.aspx.

MLAC recommended the fund balance should be about a year of expenditures to account for situations in which there is a large decline in revenue, such as a recession or a catastrophic event. The committee also recommended that if the fund is projected to fall below the 12-month balance, the Department of Consumer and Business Services (DCBS) must prepare a plan to address the situation and present the plan to MLAC for discussion.

HB 2788 implements these recommendations by:

- Increasing the minimum balance of the Workers' Benefit Fund to 12 months of projected expenditures and clarifying that the balance is not entirely in cash.
- If the fund balance is projected to fall below the required balance, DCBS must develop a plan to increase the balance and report the plan to MLAC.

MLAC supports this legislation.

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Workers' Benefit Fund Balance Study

Executive summary

Senate Bill 1558 (2014) reduced the required balance of the Workers' Benefit Fund in response to issues with the solvency of several self-insured employer groups. The bill required the Workers' Compensation Management-Labor Advisory Committee (MLAC) to review this change and report to the Legislative Assembly about whether to retain or change the fund balance requirement.

The Workers' Benefit Fund's revenue comes from a cents-per-hour payroll assessment. Employers and employees each pay half of the assessment, currently 2.4 cents per hour worked. The fund pays for a variety of programs that help injured workers and their employers. It provides benefit increases to permanently and totally disabled workers and to families of workers who died as the result of a workplace injury or disease. The fund supports Oregon's return-to-work programs that help injured workers return to work quickly, including financial assistance to employers that hire injured workers. This assistance includes wage subsidies, premium exemptions, and reimbursements for worksite modifications and equipment. As part of this study, MLAC reviewed the statutory programs and expenditures paid from the fund.

MLAC also studied historic fund balances and the effects of past and potential factors that can affect the stability of the fund, including economic downturns, fund transfers and new programs, and catastrophic events. The committee reviewed the agency's tools to address risks if the fund balance declines, including assessment rate changes and program and benefit reductions. To help determine an appropriate fund balance, the committee evaluated several scenarios based on the most recent recession.

MLAC concluded the fund balance should be about one year of expenditures to account for situations in which there is a large decline in revenue, such as a recession or a catastrophic event. At this level, the balance would cushion the impact of these events and allow time for the department and stakeholders to decide how to address expenditures and assessment rates. A larger fund balance enables action to be taken while minimizing volatility in the system.

MLAC unanimously approved the following recommendations:

1. Increase the minimum balance of the Workers' Benefit Fund to 12 months of projected expenditures and clarify that the balance is not entirely in cash.

2. Require the department to report to MLAC if projected expenditures could cause the fund balance to dip below the 12-month requirement. The department's report should include its action plan to address the fund balance situation.

These recommendations require a statutory change. A full copy of the study report is available on the MLAC website: https://www.oregon.gov/DCBS/mlac/Pages/mlac.aspx.

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