

SB 1525

SUBJECT: Excludes sick leave from the definition of “payroll” for purpose of workers’ compensation calculations

SPONSOR: Senator Baertschiger

Existing Law:

- Requires employers to provide workers’ compensation insurance for subject Oregon workers
- Defines “payroll” for the purpose of calculating workers’ compensation insurance premiums to include wages, and the value of board, rent, housing, lodging or other similar advantage.
- Excludes overtime pay, vacation pay, bonus pay, tips, or bonuses or profit sharing to reward workers for safe working practices from “payroll” definition.

This bill:

- Excludes paid sick time from the definition of “payroll”

Analysis:

1. Employers that purchase workers’ compensation insurance from a private insurer or SAIF Corporation pay for the insurance based on their payroll. Employees are grouped according to the type of work they perform (called “classifications”). Each classification has a minimum (loss) cost that reflects the anticipated claim costs for job related injuries. Insurers multiply the payroll by the loss cost and a factor that reflects that insurer’s expenses and profits, and may also adjust for an employer’s actual loss experience. The resulting premium generally is supposed to cover expected losses and insurer expense.
2. Under current law, payroll includes wages and the value of board, rent, housing, lodging or other similar advantage. Payroll does not include overtime pay, vacation pay, bonus pay, tips, or bonuses or profit sharing to reward workers for safe working practices. This bill adds paid sick leave to the items not included in payroll.
3. In the very short term, excluding sick leave will reduce the amount of payroll an employer reports to their insurer, reducing their premium calculation. However, it is expected that one or more of the many variables that go into the calculation of premium by insurers will be revised upward to ensure premiums collected cover expected losses.
4. The Department of Consumer and Business Services is partially funded by a premium assessment on all Oregon workers’ compensation policies. To the extent that this bill reduces the overall amount of premium collected there may be an impact on assessment collections. It is not possible to determine a precise impact.

Questions and/or suggested amendments: None

Fiscal Impact to DCBS: There is no impact on the regulatory functions of the department. There is an unknown potential impact on premium assessment collections.

Other Economic Impact: In the short term, insurers may see a decline in premiums collected, but there are many variables impacting the amount, including the unknown number of employers that provide paid sick leave. It is likely insurers will adjust their premium calculation over time to address reduction in payroll. It is unknown whether the impact will be the same for all employers or will vary by industry. Some employers may incur additional expense to delineate their payroll records for different leave types. It is also possible some employers may find it easier to report payroll because they use a paid leave bank will no longer have to segregate sick leave and vacation pay.

Support: unknown

Opposition: unknown

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