



## MEMORANDUM

June 4, 2018

To: MLAC Members

From: Gary Helmer, Senior Economist  
Chris Day, Senior Forecasting Analyst

Subject: Project outline for the MLAC Study – SB 1558 (2014) and Workers' Benefit Fund balance

### Issue

During the 2014 session, the legislature passed Senate Bill 1558.<sup>1</sup> The bill was enacted in response to issues with the solvency of several self-insured employer groups, and included provisions to use the Workers' Benefit Fund to pay the claims costs of dissolved self-insured employer groups. The bill included two provisions.

- Section 7 of the bill changed the fund balance requirements of the Workers' Benefit Fund. The original language was;

ORS 656.506 (5) It is the intent of the Legislative Assembly that the department set rates for the collection of assessments ... in a manner so that at the end of the period for which the rates shall be effective, the cash balance shall be an amount **approximating 12 months** of projected expenditures from the Workers' Benefit Fund in regard to its functions and duties ... in a manner that minimizes the volatility of the rates assessed....

SB 1558 changed this to:

... the cash balance shall be an amount **of not less than six months** of projected expenditures from the Workers' Benefit Fund ....

- Section 9 of the bill stated:

No later than January 1, 2019, the Workers' Compensation Management-Labor Advisory Committee ... shall study the effects of the amendments to ORS 656.506 by section 7 of this 2014 Act and report to the Legislative Assembly the findings of the committee about the advisability of the continuation of the changes resulting from those amendments.

This document provides a proposed timeline and outline for this project.

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<sup>1</sup> <https://olis.leg.state.or.us/liz/2014R1/Downloads/MeasureDocument/SB1558/Enrolled>

## Timeline

- June 4 MLAC meeting – study kick off, study plan review, confirmation of deadlines
- June through August – DCBS drafts a report and a list of policy options
- Early fall (September-ish) – MLAC reviews the report, determines if additional information is needed, and provides direction on the best options
- Early fall through November – DCBS prepares a draft final report
- Early December – MLAC approves the final report and recommendations
- Report submitted before January 1, 2019.

## Proposed elements of a draft report

- I. Background on SB 1558
  - a. What was SB 1558, why did we use WBF to pay claims
  - b. WBF expenditures for decertified self insured groups
  
- II. Workers' Benefit Fund background
  - a. WBF cents-per-hour assessment
  - b. WBF account and fund balance policy
  - c. Programs funded by the WBF
  - d. Long term liability of the fund
  
- III. Risks to the WBF
  - a. Economic downturns cause revenue reduction
  - b. Catastrophic events (earthquake, terrorism) may cause dramatic increases in fatality claims
  - c. New legislative programs can expand the use of the WBF
    - i. Fund sweeps
    - ii. New programs
  
- IV. Tools to address risks
  - a. Draw down the fund balance
  - b. Increase assessments to create more revenue
  - c. Reduce benefits paid
    - i. Retroactive program
    - ii. EAIP/PWP
    - iii. Other reductions
  
- V. Other considerations
  - a. Policy flexibility
  - b. Responsible fund management
  
- VI. Recommendations
  - a. Retain the current statutory language
  - b. Revert to the original language
  - c. Recommend an alternative