



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Firefighter Cancer Ins. & WC Program Funding.
Bill Number: Senate Bill 326 (First Edition)
Sponsor(s): Sen. Todd Johnson, Sen. Jim Perry, and Sen. Lisa S. Barnes

SUMMARY TABLE

Expanded Use of Net Tax Proceeds (G.S. 105-228-5(d)(3))					
<i>(dollars in millions)</i>					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
SB 326/Firefighters' Benefit	5.0	5.0	5.0	5.0	5.0
Volunteer Safety Workers Comp Fund	10.0	10.3	10.6	10.9	10.9
Total Expenditures	15.0	15.3	15.6	15.9	15.9
Net Tax Proceeds	8.9	7.4	7.5	7.6	7.5
Other Revenue	1.0	7.9	8.1	8.3	8.4
Total Revenue	9.9	15.3	15.6	15.9	15.9
Change in Fund Balance	(5.1)	0.0	0.0	0.0	0.0
Reserves	\$45.0	\$45.0	\$45.0	\$45.0	\$45.0

FISCAL IMPACT SUMMARY

G.S. 105-228.5(d)(3) applies an additional 0.74% tax rate on certain property coverage contracts to fund various programs that benefit volunteer safety workers, including firefighters and rescue/emergency medical services workers.

The bill would expand the uses of the portion of net tax proceeds, up to 20%, that funds the Volunteer Safety Workers' Compensation program established in G.S. 58-87-10, to fund a firefighter cancer insurance program. The bill would also establish a cap on the amount of funds to be maintained in the Volunteer Safety Workers' Compensation Fund (VSWCF) at \$45 million.

Future net proceeds from the additional 0.74% tax on gross premiums, along with premiums paid by participants into the VSWCF, are sufficient to continue the workers' compensation program and fund a firefighter cancer insurance program over the next five fiscal years.

FISCAL ANALYSIS

Volunteer Safety Workers' Compensation Fund (VSWCF)

The VSWCF, established pursuant to G.S. 58-87-10, receives up to 20% of the net proceeds from an additional tax applied to gross premiums on certain insurance contracts as provided in G.S. 105-228.5(d)(3), premiums paid by participants and investment income. The VSWCF provides workers' compensation benefits to eligible volunteer firefighter and rescue/emergency medical services workers.

G.S. 58-87-10(g) requires the Fund to maintain enough in reserves to meet the Fund's needs, as determined by an annual actuarial study, for the upcoming fiscal year. The Secretary of Revenue is directed to credit an amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3), to maintain the reserve.

S.L. 2022-6 suspended the collection of participant premiums through June 30, 2024, and the transfer of net tax proceeds to the VSWCF through June 30, 2023.

The table that follows reflects the financial history of the Fund.

Volunteer Safety Workers' Compensation Fund (dollars in millions)

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Expenditures	10.1	7.0	10.0	9.7	8.7	9.8
Net Tax Proceeds	7.6	7.9	6.2	9.4	10.4	-
Other Revenue	8.1	6.6	8.5	7.6	3.3	0.8
Total Revenue	15.7	14.5	14.7	17.0	13.7	0.8
Change in Fund Balance	5.6	7.5	4.7	7.3	5.0	(9.0)
Cash Balance	\$ 30.4	\$ 38.6	\$ 44.5	\$ 53.1	\$ 59.2	\$ 50.2

From FY 2017-18 through FY 2021-22, the Fund's revenue outpaced expenditures, averaging \$9.1 million in expenditures and \$15.1 million in revenue. The cash balance on June 30, 2022, was \$59.2 million and is projected to decrease to \$50.2 million by June 30, 2023.

The most recent actuarial study, published in February 2023, concluded that the State should always maintain a minimum reserve of \$25 million to ensure that the needs of the Fund will be met. The study also noted that the June 30, 2022, cash balance is sufficient to meet the needs of the Fund for the next five years without the need for any additional funding from member premiums or the net tax proceeds provided in G.S. 105-228-5(d)(3).

Firefighters' Health Benefits Pilot/Firefighter Cancer Insurance Program (FHBP)

The FHBP was implemented in 2022. The State Department of Insurance (DOI) administers the FHBP through a contract with a private insurance carrier from whom they have purchased a \$5.5

million premium. During calendar year 2022, the contract carrier paid out a total of \$1.6 million in cash benefits and reimbursements.

Projected costs and revenue are sufficient to continue the workers' compensation program and fund a firefighter cancer insurance program over the next five fiscal years.

ASSUMPTIONS

1. The Firefighter Cancer Insurance Program referenced in SB 326 is the same as the Firefighters' Health Benefits Pilot Program established in the 2021 Appropriations Act, S.L. 2021-180, Sec.30.4A.
2. VSWCF cash balance or reserve will be sufficient to pay all claims and operating costs through FY 2026-27.
3. DOI will continue to contract for private insurance coverage and the premium will grow by 5% each fiscal year.
4. Premiums will resume being paid to the VSWCF in FY 2024-25 in accordance with S.L. 2022-6.
5. Participants premiums will remain at current rates.
6. Net proceeds of the 0.74% tax on gross premiums will grow by 4.5% each year.

TECHNICAL CONSIDERATIONS

The following are technical issues for consideration:

- The Firefighter Cancer Insurance Program referenced in Section 1(d)(3) does not currently exist.
- If Senate Bill 326 is addressing the Firefighters' Health Benefit Pilot Program established in S.L. 2021-180, the bill needs to be amended to define the provisions of the program and to address the June 30, 2023 expiration date of the current program.

DATA SOURCES

- NC Accounting System
- Volunteer Safety Workers' Compensation Fund Funding Analysis for Fiscal Years Ending June 30, 2023, through June 30, 2027, Madison Consulting Group, Inc.
- 2023 Consensus Forecast, Fiscal Research Division

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Karen Hammonds-Blanks

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
April 3, 2023



Signed copy located in the NCGA Principal Clerk's Offices