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NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 710 (as amended)
SHORT TITLE: Self-Insurance Guaranty Fund
SPONSOR(S): Senator Kincaid

FISCAL IMPACT: **Expenditures:** **Increase ( )** **Decrease ( )**
Revenues: **Increase ( )** **Decrease (**X**)**
No Impact ( )
No Estimate Available ( )

FUND AFFECTED: **General Fund (**X**)** **Highway Fund ( )** **Local Govt. ( )**
Other Funds ( )

BILL SUMMARY: The bill would raise the limit on the funds that may be placed in the North Carolina Self-Insurance Guaranty Fund from $1,000,000 to $5,000,000. These funds would be collected by assessments from self-insurers. The bill allows these assessments to be credited against the self-insurers' premiums tax liability.

EFFECTIVE DATE: Taxable years beginning on or after January 1, 1995.

FISCAL IMPACT

	95-96	96-97	97-98	98-99	99-00
REVENUES: (in $millions)					
GENERAL FUND	-$1.8	-$1.8	-$0.4	$0.0	$0.0

ASSUMPTIONS AND METHODOLOGY: The Self-Insurance Guaranty Fund protects worker's compensation self-insurers from losses, and is financed by assessments paid by self-insurers. These assessments represent 0.25 percent of the self-insurers premiums base. Assessments are credited toward self-insurers' premiums tax liability. As such, any assessments paid by self-insurers are deducted from their tax payments, rather than added to those tax payments, and represent a loss to the General Fund. When the cap is reached, any assessments received over that amount are paid into the General Fund as part of the premiums tax collections. The Fund currently has $1,000,000 available, and assessments would need to be made only for as long as it takes to raise the availability to $5,000,000.

The tax on self-insurers is 2.5 percent of premiums, and collections total $18,000,000 annually. Assessments are levied at the rate of 0.25 percent of premiums. As such, one-tenth of the tax revenue, or $1,800,000 would be lost each year during the first and second year of the higher cap. During the third year after the cap is raised, only $400,000 in assessments would be required to reach the $5,000,000 cap. Continued assessments beyond the third year are not assumed. If assessments continue, then revenue loss would continue at the level of the assessments.

FISCAL RESEARCH DIVISION 733-4910
PREPARED BY: Karl Knapp
APPROVED BY: Tom Covington
DATE:
[FRD#001]

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