



**House
Legislative
Analysis
Section**

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PTA SELF-INSURANCE: CLARIFY

House Bill 4831 as introduced
First Analysis (6-15-93)

Sponsor: Rep. Richard Bandstra
Committee: Transportation

THE APPARENT PROBLEM:

Under the Worker's Disability Compensation Act, the state guarantees the payment of worker's disability compensation claims arising against certain public bodies (in this case, public transportation authorities, or PTAs) if those entities are self-insured under the act and if they cease to operate or are dissolved without a successor agency being created. The act specifies that this provision shall not be construed to permit the use of state funds for the payment of private obligations. When PTAs were allowed to be self-insured under the act in 1990 (under Public Act 282), apparently there was concern that private companies who contracted for certain services from PTAs might become eligible for self-insurance under the act through their contractual ties with the authorities. The act, however, goes on to say that if an authority delegates or contracts with a private employer for the performance of "any" of its functions, then the authority may no longer hold self-insured status. According to a Department of Labor spokesman, this provision apparently was meant not only to ensure that a PTA that contracts out all of its functions to a private company could not obtain self-insurance under the act, but also that a private company that performs under contract a function for a PTA could not obtain self-insurance under the act. As most PTAs contract out some functions (for instance, snowplowing) to private companies, this provision effectively prevents those that are not self-insured under the act from qualifying for it, and jeopardizes the status of others that currently are self-insured under the act. To correct this problem, legislation is needed to clarify this provision in the act.

THE CONTENT OF THE BILL:

The bill would amend the Worker's Disability Compensation Act to clarify a provision in the act that currently prohibits a transportation authority that delegates or contracts with a private employer for it to take over "any of [the authority's] functions"

from being self-insured under the act. The bill would revise this provision to say that a private employer performing any permitted functions of a public authority could not "be included under the authorization granted by the director [of the worker's compensation bureau] to the authority or other agency to self-insure" under the act.

MCL 418.702

FISCAL IMPLICATIONS:

According to the Department of Labor, the bill would not affect state budget expenditures. Local governments, however, could save money under the bill as their public transportation authorities either would not be at risk of losing their current self-insured status under the act or could qualify for it as a result of the bill. (Becoming self-insured under the act generally is less expensive than having to purchase worker's disability compensation insurance elsewhere.) (6-11-93)

ARGUMENTS:

For:

The bill simply would clarify what the legislature apparently had intended when PTAs were allowed to become self-insured under the Worker's Disability Compensation Act via Public Act 282 of 1990: First, that if a PTA delegates to or contracts with a private company to perform any function for it, that the company cannot be self-insured through the PTA under the act; and second, that as long as a PTA did not contract out all of its functions to a private company it would qualify for self-insurance under the act. Generally, all employers currently are required to obtain worker's compensation insurance, either through a private insurer, the Michigan State Accident Fund or by self-insurance. Not only would the bill clarify that a private company contracting for one or more functions from a PTA is not eligible for self-insured status

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under the act, but also would ensure that PTAs that have contracted out some, but not all, services to private companies either would not be at risk of losing their self-insured status or could qualify for it if they currently are not self-insured. By becoming self-insured under the act, a PTA can reduce what a local government must pay to meet the statutory requirement of carrying worker's compensation insurance.

POSITIONS:

The Michigan Public Transit Association supports the bill. (6-10-93)

The Michigan Transit Pool (an association that works to provide worker's disability compensation for 23 public transit authorities in the state) supports the bill. (6-11-93)

GRATA, the public transit authority in Grand Rapids, supports the bill. (6-11-93)

The Department of Labor supported an identical bill in the 1991-92 legislative session (House Bill 5378), but has not yet taken a position on this bill. (6-11-93)