

## DPW and Highway Department Recordkeeping: How to Lower Your Premium by Understanding the Difference Between Budget Codes and WC Class Codes

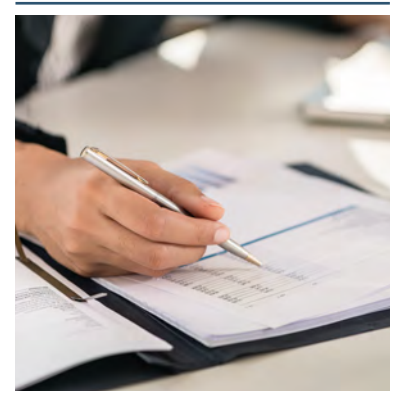
Municipalities are used to assigning payroll to specific budget codes as an important function of their accounting. When it comes to workers' compensation premium audits, municipalities need to think less about budget codes and more about workers' compensation (WC) class codes. This is particularly important when talking about Highway and Public Works Department employees since they can be performing a number of different types of jobs throughout the policy year.

The way WC premium is determined is based on the total rateable payroll of each employee multiplied by the WC class code rate that represents the work the employee is performing. The more dangerous the job the higher the WC rate, and vice versa. Budget codes can give a general glimpse of what type of work the employees are performing, but certainly not enough to ensure you are paying the lowest amount of WC premium possible.

For example, a Highway Department may have a large portion of their overall payroll allocated to the Permanent Improvement or General Repairs budget codes. Without any additional information, the auditor will likely assign 100% of that payroll into the default Highway class code of 5506: Street and Road Construction. This is because without any proper documentation and payroll breakouts, 100% of the payroll must be assigned to the highest risk WC class code that carries the largest rate. In this example, code 5506 carries a rate of \$20.97 per \$100 (for the 2018-19 period) which is the highest WC rate you can pay for a highway department employee. Because 5506 is a "construction" class code, by rule a policyholder is allowed to breakout these payrolls based on the specific jobs the employees are performing.

The fact is most municipal highway departments do little street or road construction outside of filling potholes and other basic road repairs. The majority of their jobs typically consist of tree trimming, digging culverts, mowing, brush cleanup, snow removal, and street cleaning, which all have different WC class codes and rates. The better a municipality can track and document the payrolls allocated to each of these jobs, the less workers' compensation premium they will pay.

*"As a former Town Supervisor, I have experienced firsthand the benefit of understanding WC rates and classifications and how they translate to my insurance premium. After our WC audit, 100% of our Town Water & Sewer Department payroll was being classified into 6306 (Sewer Construction) which carried a rate of \$18.49 for the 2013-14 policy term. We had never tracked the payrolls of these employees by each job, but we knew they weren't constructing sewer lines 100% of the day. In fact, they rarely performed this type of work. We knew this was wrong, but had no way to understand how we could fix it. We met with our Group Manager and NYSIF auditor to understand what we could do to ensure we were adequately tracking these payrolls and not paying more premium than we should. We learned that without proper documentation, 100% of the payroll in these departments would be put into the most*



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expensive WC classification. We also discovered there are many other WC classifications available for our Water & Sewer operations (i.e. Meter Reader, Water Main Construction, Water Operations) that carried much lower rates. We then implemented a system between our payroll, Water & Sewer, and Highway departments that with each payroll period being reported, the correct WC class code(s) would be assigned by employee based on the work they performed in the period and their hourly rates. Since we were tracking this information in our payroll software, come time for the audit our payroll department could simply run a WC report for the payroll periods in our policy term and present it to the NYSIF auditor. He would spot check the work orders to verify the allocation was accurate, but it made our audits going forward extremely painless and we saved tens of thousands of dollars in premium." - Marc R. Smith, former Town Supervisor for the Town of Lockport and current 497 Executive Committee Member

There is no reason any policyholder should pay more premium than they should. For municipalities in particular, implementing a simple method to track these specific payrolls is guaranteed to save thousands of dollars.

The following are some common DPW and Highway Department WC Class Codes and their rates for the upcoming 2018-19 policy period. Rating Board rules may apply whether or not certain codes can be used as a breakout for these departments, so please contact the Group Manager with any questions.

Class Code	Description	10/1/2018 State Fund Rate*
0042	Landscape Gardening	7.92
0106	Tree Pruning	12.15
5183	Plumbing	9.89
5221	Concrete or Cement Work: Sidewalks, Driveways, etc.	16.57
5222	Concrete Construction Bridges & Culverts	12.59
5506	Street & Road Paving and Resurfacing	18.05
6217	Excavation	10.63
6229	Irrigation System Construction	7.56
6306	Sewer Construction	13.68
6319	Gas, Water, Steam Main Construction	9.33
7520	Water Works Operations	9.26
7542	Meter Reader	7.80
7580	Sewage Disposal Plant Operations	7.33
8391	Mechanic	4.80
9102	Parks & Playgrounds	5.37
9402	Street Cleaning/Snow Plowing/Line Painting	8.28
9403	Garbage and Refuse Collection	16.92
9410	Superintendents (No manual labor or worksite foreman duties)	10.55

\*(per \$100 of Payroll)