

OHIO AUDITOR OF STATE KEITH FABER



**Auditor of State
Bulletin 2020-007**

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TO: All Public Offices
All State Agencies, Boards and Commissions
Community Schools
Colleges and Universities
Independent Public Accountants

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Bureau of Workers' Compensation (BWC) COVID-19 Rebates/
Dividends

Bulletin Purpose

Ohio's workers' compensation system is a mandatory, state-run insurance program, which provides coverage for employees suffering job-related injuries. In exchange for the payment of premiums by employers to the Bureau of Workers Compensation (BWC), the BWC provides payment of compensation to the injured employee while covering medical costs resulting from the job-related accident or disease.

As described in AOS Bulletin 2013-007, *Bureau of Worker's Compensation (BWC) Rebate, Clarified*, BWC has issued rebates (also known as, dividends) as a result of what BWC attributes to strong investment returns on employer premiums, a declining number of claims each year, and prudent fiscal management.

On November 2, 2020, the BWC Board of Directors approved Governor Mike DeWine's request to send \$5 billion in dividends to Ohio employers to ease COVID-19's continued impact on the state's business community and workforce. This is the third dividend declared and paid in 2020, bringing total dividend dollars for employers to nearly \$8 billion this year to ease the financial pressure on private and public employers during the pandemic. BWC will apply the dividend to qualified employers' unpaid balances first, then mail a check for the remainder in mid-December. The agency issued a \$1.54 billion dividend in late April (of which \$184 million went to local

government taxing districts, such as counties, cities, townships, and school districts), which represented approximately one hundred percent (100%) of the premium for the 2018 policy year, and \$1.34 billion in October, which represented one hundred percent (100%) of the premium for the 2019 policy year. At \$5 billion, the latest dividend is based on the billed premium for the 2019 policy year, and represents approximately four times those total premiums.

For more information about BWC's dividends and other measures to ease the financial impact of COVID-19 on private and public employers, refer to BWC's Frequently Asked Questions at:

<https://www.bwc.ohio.gov/downloads/blankpdf/COVID-19-BWCFAQs.pdf>.

For Frequently Asked Questions specific to the latest \$5 billion dividend, refer to the following link:

<https://info.bwc.ohio.gov/wps/portal/gov/bwc/for-employers/all-employer-resources/5BillionDividend-QandA>.

The Auditor of State (AOS) has received questions from local government officials asking to which funds they should apportion the dividend. AOS Bulletin 2013-007 provides accounting guidance entities should follow for all BWC rebates and dividends.

Although BWC uses the term "dividends," the substance of the transaction is the same as the previous "rebates" and the guidance in Bulletin 2013-007 applies. For additional details, please refer to BWC's FAQs.

Since the substance of these transactions remains a rebate, consistent with AOS Bulletin 2013-007, we still believe local governments must return the prorated portion of the rebate attributable to local, state or federally-restricted fund to those funds. However, the amount returned to these restricted funds would be capped by the premium paid for the policy year associated with the rebate (i.e., 2019). Any amounts received in excess of the original premium payment would be unrestricted and could be receipted in the general fund.

Additionally, AOS Bulletin 2013-007 describes accounting for receivables related to dividends. AOS views the date of the BWC Board rebate approval to be the award date under Governmental Accounting Standards Board (GASB) Statement No. 33 for evaluating receivable recognition. Depending on the timing of BWC's rebate distribution to local governments, it is possible some local governments with December 31, 2020 fiscal year ends may need to recognize a receivable in their financial statements.

Also, local governments with fiscal year ends prior to the award date should consider whether the "excess" of the November BWC rebate is significant enough to merit disclosing as a subsequent event footnote in their financial statements.

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For future updates, and additional information related to the COVID-19, please continue to monitor the Auditor of State's COVID-19 Resources for Local Governments information at:

http://www.ohioauditor.gov/resources/COVID19_assistance.html.

If you have any questions regarding the information in this Bulletin, please contact the Local Government Services staff of the State Auditor's Office at (800) 345-2519.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Ohio Auditor of State