



NSCSA Proposal

Funding Model

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Background

When the Nova Scotia Construction Safety Association (NSCSA) was founded in 1993, it was structured so that a portion of its funding came from a levy¹ on assessments paid to the Workers' Compensation Board of Nova Scotia (WCB) by construction industry employers.

This industry funded levy, calculated as 3.5% of assessments, was forwarded to the NSCSA by the WCB on behalf of employers.

In 1997, the rate of the levy was reduced to 3.25% of assessments.

From 2002 to 2006, the rate of the levy was further reduced by 20% to its current rate of 2.60% of assessments.

In 1993, the industry levy made up 88% of the NSCSA's total funding for the year. By 2013, this amount has dropped to only 39% of funding with the remaining balance coming from a variety of sources, most significantly from fees for training and COR Evaluations.

¹ The levy a construction employer pays is calculated by using the following formula:

$$\text{Assessable Payroll} * \text{Assessment Rate per } \$100 \text{ of Payroll} * \text{Rate of Levy}$$

Current Situation

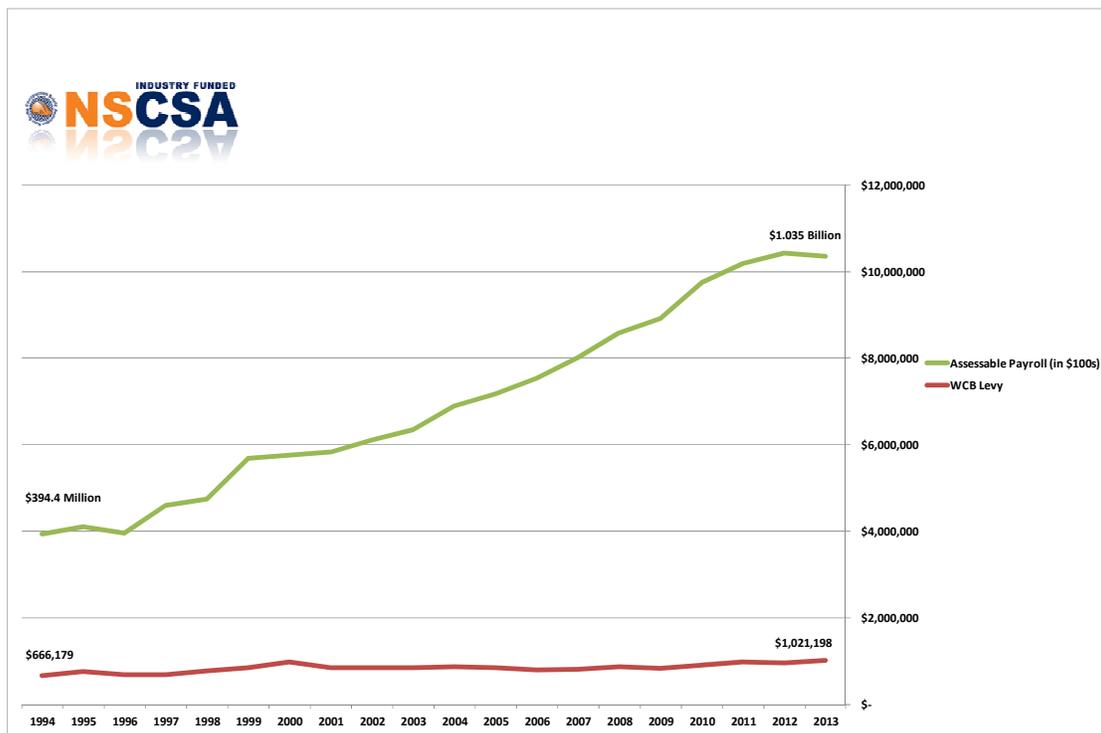
The reduction in the rate of the levy over the past 20 years has had a dramatic impact on the amount of funding the NSCSA has received. Combined with an improved safety performance by the industry, and therefore a reduction in assessment rates, this has further reduced the levy amount being paid by construction employers. If not for these changes, the annual levy would be approximately \$1,900,000 per year versus the current \$1,000,000. As the industry continues to get safer, the NSCSA's largest revenue stream will continue to decrease even if the rate of the levy and payroll remain steady.

The NSCSA faces rising costs associated with providing services, especially considering its responsibility for meeting the needs of the construction industry throughout the entire province. Increases in demand, combined with the unique revenue challenge of the levy structure, make it clear that the NSCSA needs a funding model that addresses deficiencies and provides adequate funding for the future.

Without adequate funding, the NSCSA will continue to suffer in areas related to product development, communications & marketing, curriculum development, online learning, and adequate compensation to retain skilled safety professionals.

The graph below shows the growth of the Nova Scotia construction industry payroll versus the growth in the levy. Despite a huge expansion of the industry since 1994, and demand of NSCSA services, the amount received by way of levy has not increased at a proportionate rate to payroll.

Graph 1: Construction Industry Payroll & Levy



Environmental Scan

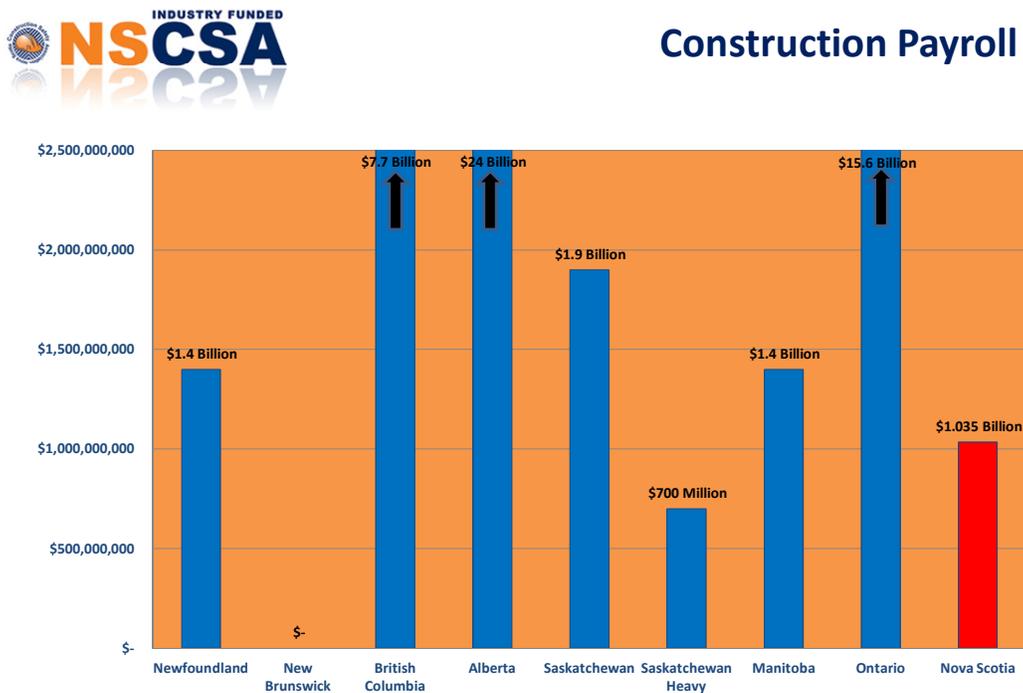
As a component of the review of this situation, and upon the recommendation of the NSCSA Board of Directors, we have conducted an environmental scan of other safety associations from across Canada.

The details of the Environmental Scan are contained in Appendix #1.

Some key points from the Environmental Scan are:

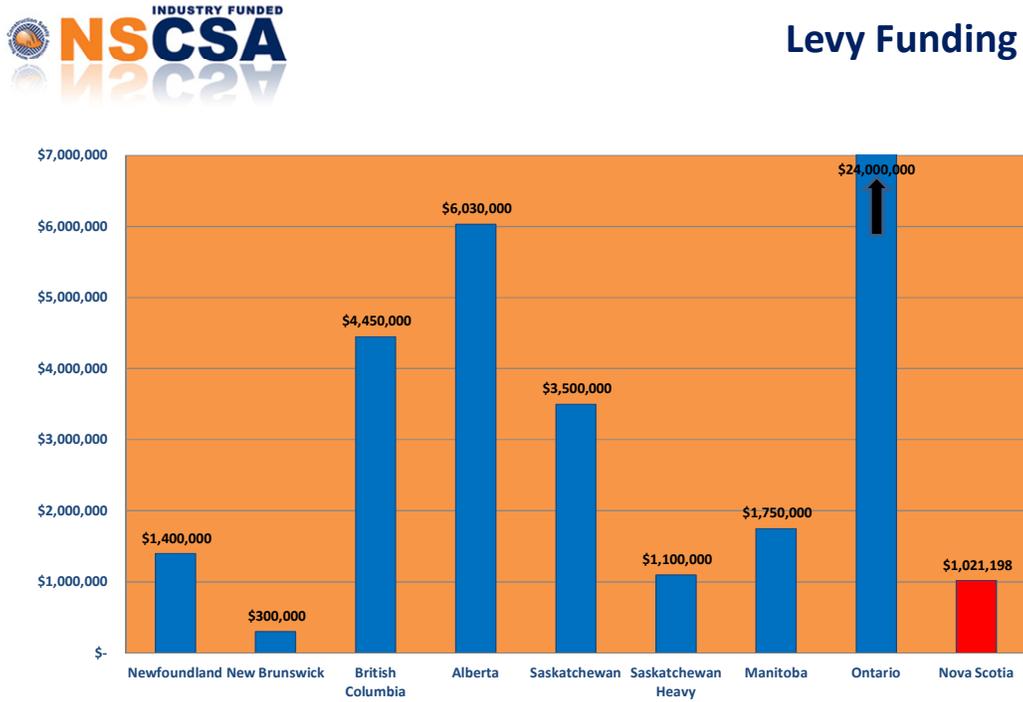
- Construction payroll for Nova Scotia is the lowest in Canada (when both Saskatchewan associations are combined).

Graph 2: Construction Industry - Payroll



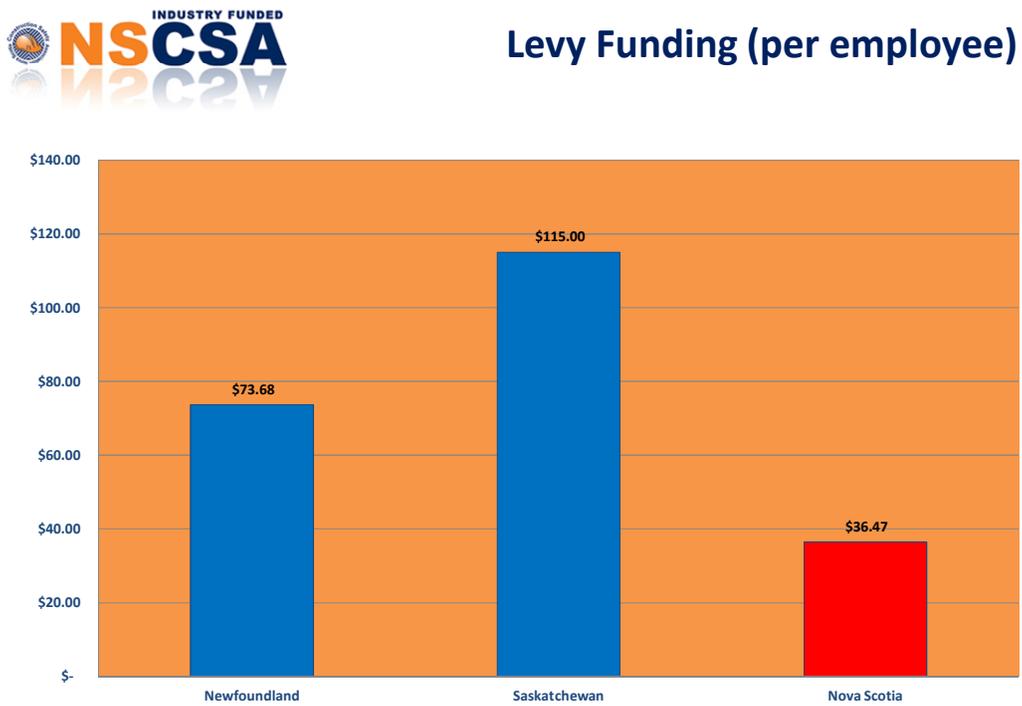
- Also, funding from the industry levy for Nova Scotia is amongst the lowest in Canada, as shown in Graph 3.

Graph 3: Construction Industry - Levy Funding



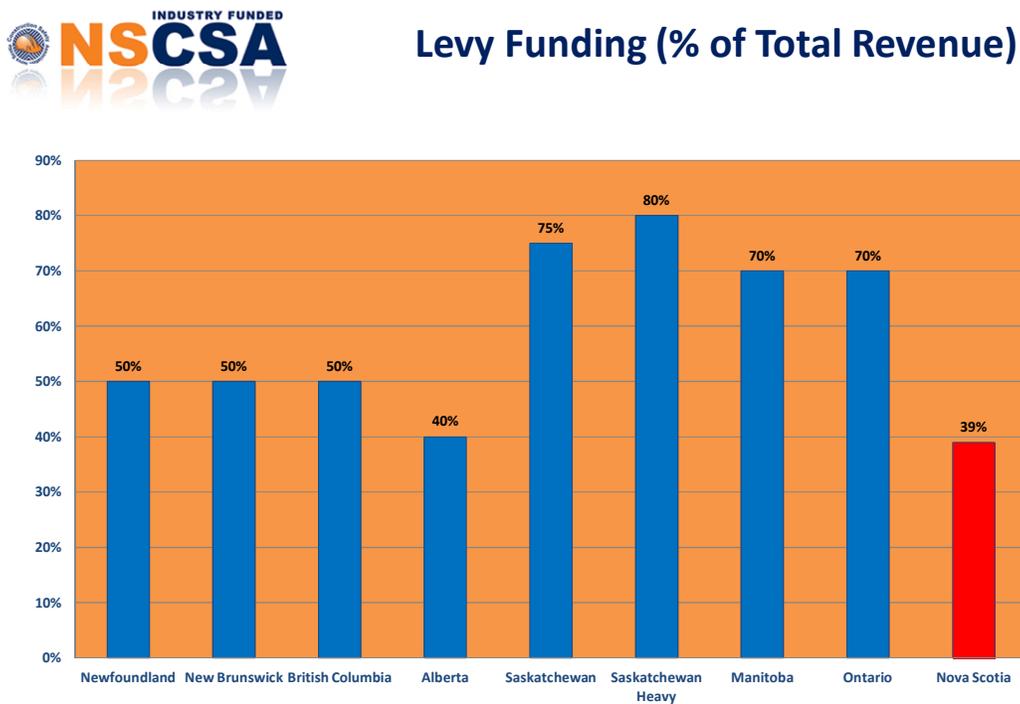
- Payroll is not the only indicator of demand of services. For example, it is estimated that Saskatchewan has approximately 40,000 construction employees while Newfoundland employs around 19,000. Nova Scotia's estimated construction workforce is 28,000. When levy funding amounts are compared to these employment estimates, the funding per employee is significantly lower in Nova Scotia. This is reflected in Graph 4.

Graph 4: Construction Industry - Levy Funding (per employee)



- One of the most significant findings of the environmental scan is the obvious differences that exist between how the NSCSA is funded when compared to other jurisdictions. Levy funding makes up only 39% of the NSCSA's total funding. Most of the other associations are at 50% or higher, with some as high as 70% or 80%. More than any other association across the country, the NSCSA is involved in trying to generate alternate funds to meet its mission objectives. Graph 5 shows the funding breakdown for each association that participated in the environmental scan.

Graph 5: Construction Industry - Levy Funding (% of Total Revenue)²



² Alberta differs from Nova Scotia since they charge much higher fees for training and undertake a significant amount of CSTS e-learning training in over 40 locations throughout Alberta. The additional revenue stream from CSTS combined with the sheer size of their construction industry enables them to maintain levy funding at around 40% of total revenues.

Analysis

The environmental scan revealed results that showed that more than any other construction safety association in Canada, the NSCSA generates the revenue it requires to provide services to its membership from alternative sources than the industry levy. Essentially a disproportionate amount of staff time and association resources, when compared to others, is spent raising funds to support initiatives and further the goals of the association.

It is also apparent from the review that the NSCSA's current funding model is not suitable for it to meet its objectives. As mentioned earlier, the NSCSA is lagging behind in several key areas of its operations. A model that involves significant "fundraising" and alternative revenue generation, when those areas are already stretched to their maximum, is not the solution. Bringing the organization's levy funding more in line with its counterparts across the country is the most appropriate solution to the NSCSA's funding needs.

Also, after reviewing the funding models that are in place in other safety associations, there are a variety of different methods to calculate the funding each association receives. Some associations (such as Newfoundland, Saskatchewan, and BC) use a model that is solely based on industry payroll, and therefore activity levels, to determine the funding amount. This type of model provides a structure that allows consistent funding that changes based on demand (i.e. as industry payroll increases or decreases), without being influenced upward or downward by other factors that do not relate specifically to demand for services (i.e. WCB rates).

Recommendations

1) Calculation of Levy

As outlined in the Current Situation section of this report, the NSCSA is faced with a unique challenge under the current method in which the levy is calculated.

Presently, three factors (payroll, assessment rate, and levy rate) are all taken into account when calculating the amount of levy the NSCSA receives. Therefore, even with growth in the industry and an increase in demand for services, the amount of funding would be decreased with a drop in assessment rates.

It is therefore recommended that the NSCSA make a change in the calculation of the levy to a method that better reflects demand for services. As outlined in the analysis, a model that is solely based on payroll allows funding to increase or decrease without being influenced by assessment rates.

Specifically, it is recommended that the NSCSA change the calculation of the levy to align with several other provinces and be as follows:

\$X.XX per \$100 of Assessable Payroll

2) Funding Amount

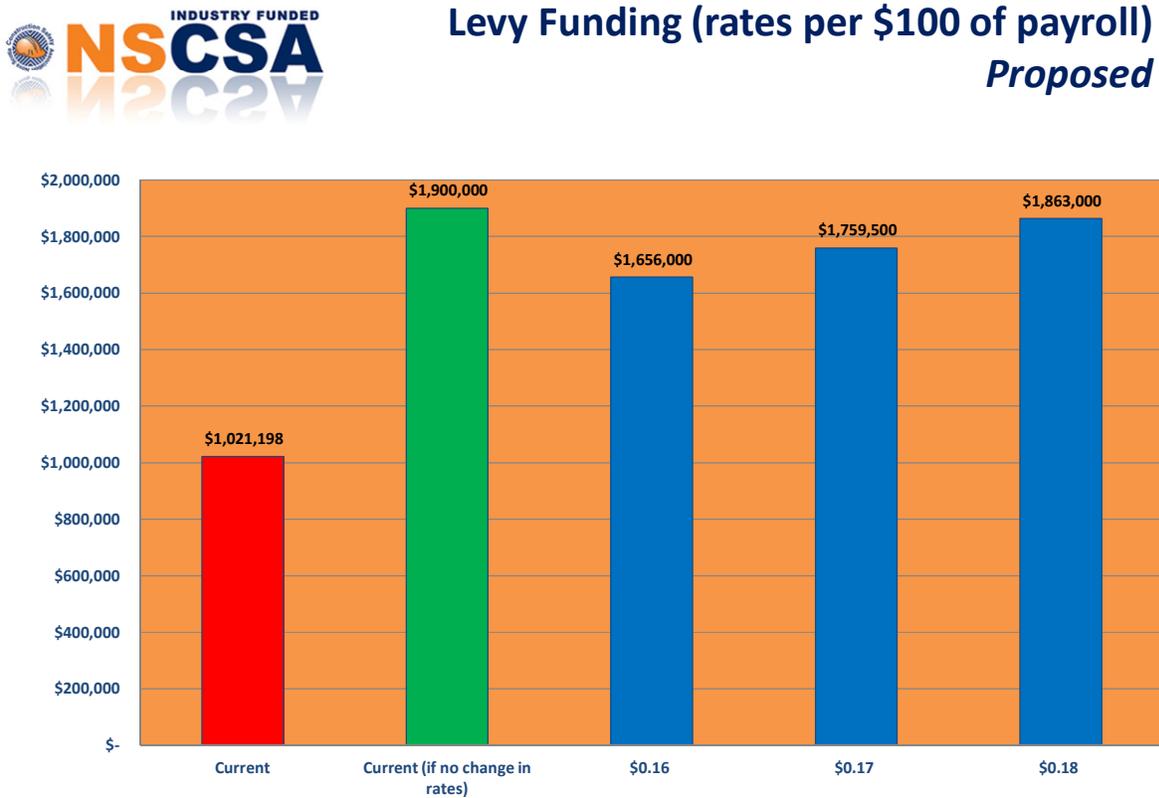
Another key finding from the environmental scan, is that the NSCSA is significantly underfunded in both the percentage of its overall funding from the levy and its overall funding to meet its mission requirements.

Continuing to increase fees for service and broadening the gap even further between levy funding and general funding from other sources, is not a sustainable model. If anything, fees for loss control training and initial COR services for members should be reduced as an intervention to incent those firms to participate that find it intimidating or cost prohibitive. A model that brings the funding percentage to a comparable level as other construction safety associations and lessens the user fees for the membership is a more appropriate model for achieving the association's mission.

Therefore, it is recommended that the NSCSA modify its levy funding to \$0.17 per \$100 of Assessable Payroll.

Graph 6 shows the levy currently received from the WCB compared to the levy that would be received under the rates of \$0.16, \$0.17, and \$0.18 per \$100 of Assessable Payroll, compared to the levy that is currently being received and how much would have been received in 2013 if no changes to assessment or levy rates had occurred.

Graph 6: Construction Industry - Levy Funding (proposed rates)

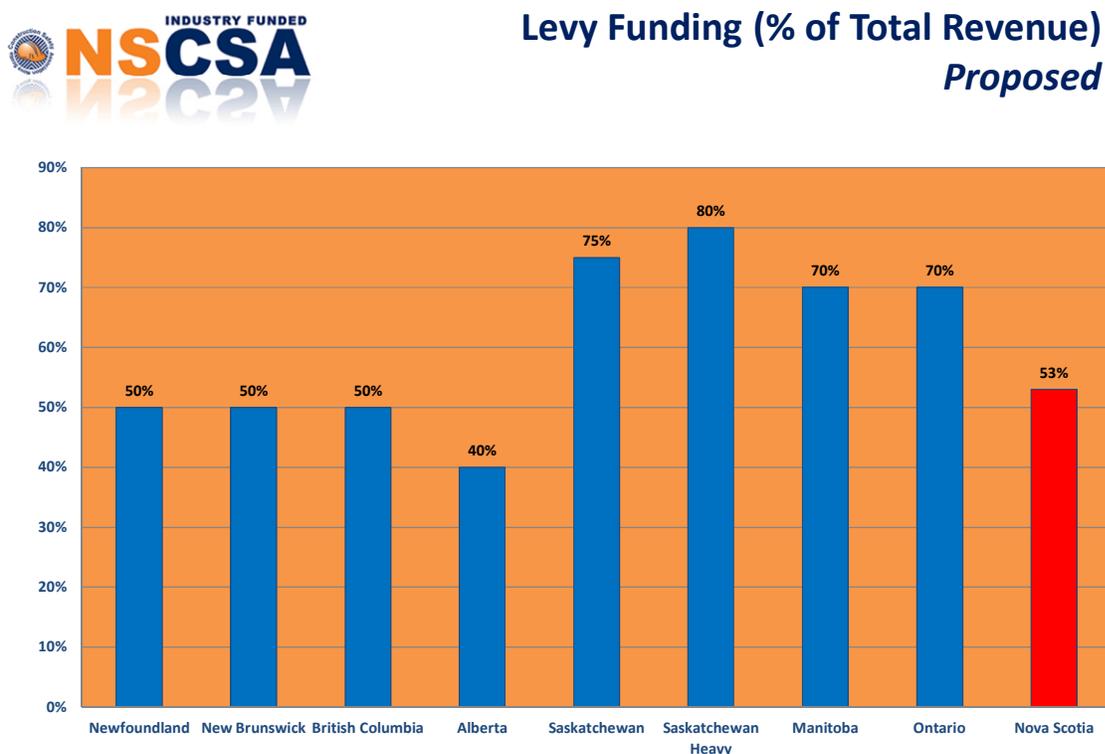


This change would see the NSCSA have the financial resources to meet its future demands in the areas of greatest deficiency. Specifically, product development, communications & marketing, curriculum development, online learning, adequate compensation to retain skilled safety professionals, and further investment in the capital assets of the association.

It would also bring the levy funding, as a percentage of total revenue, to an amount that is similar to other construction safety associations across the country.

Under the rate of \$0.17 per \$100 of Assessable Payroll, the levy funding as a percentage of total funding would be as depicted in Graph 7.

Graph 7: Construction Industry - Levy Funding (% of Total Revenue) - Proposed



3) Training and COR Fees

As mentioned in the previous recommendation, management feels that maintaining a levy rate at \$0.17 per \$100 of Assessable Payroll not only allows for adequate funding to address program/product development and key operational issues, it also allows for a shift in pricing for fees for service for our members.

Education is a vital component to penetrating those areas of the NSCSA's membership that are still not participating. If we can educate those firms about the importance of the development and ongoing maintenance of an effective safety program, even more of our membership would become COR certified and our industry can take another step forward towards further reducing its lost time claims.

To this end, it is also recommended that the NSCSA provide its classroom management loss control training for members free of charge. This is one-time training that helps give a company the knowledge and tools it needs to implement an effective safety program and would reduce the financial barriers for those firms that have yet to participate even at this basic level. The fees for this training are currently \$60 per person, per day.

It has been shown through studies that participation in the COR program results in a reduction in accidents. The Workers' Compensation Board supports this data through the implementation of a rebate to those firms that are COR certified. Therefore, in an effort to promote participation in the COR program, it is also recommended that we provide all new participants with their first COR Evaluation free of charge. These fees vary from \$98 for an Owner / Operator to \$515 for a Standard sized company.

Bottom Line for Members

Average Increase in Levy per Company

Based on the recommendations in this report, the average increase in levy per company would be approximately \$135 per year.

With this increase in levy, the NSCSA would be able to provide its membership with significant benefits:

Savings in Training & COR Evaluation Fees

The fees for some services would be eliminated.

All members would receive classroom management loss control training free of charge. This is the training that gives a company the education and tools to implement an effective safety program. The cost of this training is currently \$60 per person, per day. Depending on the size of the company and therefore training requirements, this would result in a savings of \$60 to \$300 for each person that goes through the program.

All members who begin participation in the COR program would also receive their first COR Evaluation free of charge. Depending on the company size, these savings would range from \$98 to \$515 per member.

Improved Quality and Access to Services

With enhanced product and curriculum development, along with the increased ability to retain skilled safety professionals, the quality of NSCSA programming will continue to improve.

In addition, the further capital investment in online learning programs will improve access to services and reduce travel and classroom times for the members' employees, therefore providing even further direct savings for companies.

Improved Outcomes / Fewer Accidents

Most importantly, the construction industry will continue to improve upon its outcomes and continue to reduce the number of accidents and injuries. Lost time accidents have declined by 60% since 1993. However, more can be done and further progress can be made. New programs that have been introduced over the past few years have proven to be extremely effective.

Further investment in short-term, high impact interventions, combined with improved awareness and the enhancement in the services and programming as outlined in this report, will result in continued accident reduction and further human and financial benefits for the Nova Scotia construction industry.

Appendix #1

Province	Funding Method	Annual Funding Amount	How funding is calculated	Funding Percentage of Total Revenue	Has association changed funding method?	Annual Construction Payroll	Logistics of receipt of funds	Frequency of receipt of funds
Newfoundland	Levy	\$ 1,400,000	10 cents per \$100 of payroll	50%	Yes	\$ 1,400,000,000	WCB	Quarterly weighted more for summer
New Brunswick	Levy	\$ 300,000	% changes to meet levy dollar amount	50%	No	N/A	WCB	Quarterly
British Columbia	Levy	\$ 4,450,000	Levy = (Assessment to be Collected Through Levy Rate / Estimated Total Assessable Payroll for Association's CUs) x 100. Currently equals out to just under 3 cents per \$100 of payroll	50%	No	\$ 7,700,000,000	WCB	Twice a year, January and July
Alberta	Levy	\$ 6,030,000	1.5% of assessments	40%	No	\$ 24,000,000,000	WCB	Quarterly
Saskatchewan	Levy	\$ 3,500,000	Same as Sask Heavy. ~ 17 cents per \$100 of payroll	75%	No	\$ 1,900,000,000	WCB	Quarterly
Saskatchewan Heavy	Grant from the levy	\$ 1,100,000	Board approves actual amount based on projected payroll, WCB then converts to X cents per \$100.00 of payroll, but it fluctuates. "Hard" cap is 20-25 cents per \$100, but Steve says realistically that's not set in stone and they could go higher	80%	No	\$ 700,000,000	WCB	Quarterly
Manitoba	Levy	\$ 1,750,000	3-4% of assessments. Avg of 3.35%	70%	No	\$ 1,400,000,000	WCB	Annually
Ontario	Transfer payment/grant	\$ 24,000,000	Based on premiums for WCB - Variable, based on projects.	70%	Just started getting funding from MOL	\$ 15,600,000,000	WCB & ministry of labour	Based on ongoing projects
Nova Scotia	Levy	\$ 1,021,198	2.6% of assessments	39%	No	\$ 1,035,000,000	WCB	Monthly