

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0220-03  
Bill No.: SB 1  
Subject: Campaign Finance; Drugs and Controlled Substances; Employees-employers;  
Evidence; Judges; Labor and Industrial Relations Dept.; Liens; Unemployment .  
Compensation; Workers Compensation  
Type: Original  
Date: January 12, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	More than \$984,408	More than \$1,013,940	More than \$1,044,358
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>More than \$984,408</b>	<b>More than \$1,013,940</b>	<b>More than \$1,044,358</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Second Injury	\$258,267	\$741,114	\$999,381
Conservation Commission	Unknown	Unknown	Unknown
Highway	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$258,267 to Unknown</b>	<b>\$741,114 to Unknown</b>	<b>\$999,381 to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

**FISCAL ANALYSIS**

ASSUMPTIONS

Officials from the **Office of the Attorney General (AGO)** assume the proposal would have no impact on their organization. AGO assumes the proposal would reduce claims against the Second Injury Fund.

Officials from the **Office of Administration, Risk Management Section (OARM)** assume the proposal would reduce claims paid from the state's self-insured workers compensation program.

Based on settlements paid in 2004, the cost of settlements paid with twenty weeks of permanent partial disability (PPD) or less totaled \$768,007. Had these settlements been paid at thirty percent of the Statewide Average Weekly Wage (SAWW) (\$189.30 for FY04), the cost would have been \$539,590, resulting in a savings of \$228,417. Of the remaining settlement costs expended, the first twenty weeks would be paid at 30% of the SAWW. Expenditures for the first twenty weeks totaled \$2,274,364. The cost of those first twenty weeks if calculated using thirty percent of the SAWW would have been \$1,518,375, resulting in savings of \$755,989.

ASSUMPTIONS (continued)

Total savings for FY04 were estimated at \$984,408; however the costs may be overstated due to factors other than wages paid, such as medical costs. Further, the savings estimated for FY 2006, FY 2007, and FY 2008 may be understated since they are based on FY 2004 data.

OARM estimated savings for FY 2006, FY 2007, and FY 2008 of \$984,408, \$1,013,940, and \$1,044,358, respectively, and OARM stated there would be unknown additional cost savings due to the more restrictive rules on compensable injuries and disabilities .

**Oversight** has shown cost savings of more than \$984,408, \$1,013,940, and \$1,044,358, for FY 2006, FY 2007, and FY 2008, respectively.

Officials from the **Department of Conservation** assume the proposal could have an unknown positive impact on the Conservation Commission Fund.

Officials from the **Department of Labor and Industrial Relations** (DOLIR) assume the combination of changes reducing compensable injuries would provide a minimal reduction of benefits, or cost savings, to the Second Injury Fund during the period covered by this fiscal note.

Based on cases disposed of in FY 2001, FY 2002, and FY 2003, the overall average case disposition time equals 2.91 years for cases against the Second Injury Fund. The averages ranged from a low of 2.84 years in FY 2003 to a high of 3.00 years in FY 2001. Since the proposal would only impact injury dates occurring on or after August 28, 2005, it would take several years for the full impact of this proposal to be fully reflected in cost savings to the Second Injury Fund.

To estimate cost savings, DOLIR broke down the number of case resolved within 1 year, 2 years, and 3 years. Each percentage was then applied to the fiscal years covered by this fiscal note: FY 2006, FY 2007, and FY 2008.

DOLIR also made an assumption that this legislation would reduce the total number of compensable cases by 3 percent. Based on fiscal years 2001, 2002, and 2003, the average number of Second Injury Fund cases resolved with an award issued was 11,355. Based on Division of Workers' Compensation data, 20.30 percent of all cases are resolved within one of the injury date, an additional 37.70 percent within two years, and another additional 20.35 percent within three years. Since the onset of each year would initiate different first years cases, second year cases that were once first year cases, and so on, the percentage amount for a given year is added to the current percentage amount to determine case resolution numbers. Based on Division of Workers' Compensation data from FY 2001, FY 2002, and FY 2003 the average cost per compensable case resolved was \$3,743.

ASSUMPTIONS (continued)

**Oversight** assumes that a three percent reduction in the average of 11,355 cases per year would decrease the number of compensable cases each year by 341 cases. The estimated cost reduction is:

	FY 2006	FY 2007	FY 2008
Percent of cases resolved	20.30	58.00	78.36
Reduction in cases resolved	69	198	267
Estimated cost reduction	\$258,267	\$741,114	\$999,381

Oversight also assumes there would be an unknown reduction in costs to the Highway Fund and to Local Governments.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
Savings - reduction in settlements	<u>More than</u> <u>\$984,408</u>	<u>More than</u> <u>\$1,013,940</u>	<u>More than</u> <u>\$1,044,358</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>More than</u></b> <b><u>\$984,408</u></b>	<b><u>More than</u></b> <b><u>\$1,013,940</u></b>	<b><u>More than</u></b> <b><u>\$1,044,358</u></b>
<b>SECOND INJURY FUND</b>			
Savings - reduction in settlements	<u>\$258,267</u>	<u>\$741,114</u>	<u>\$999,381</u>
<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>\$258,267</u></b>	<b><u>\$741,114</u></b>	<b><u>\$999,381</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>CONSERVATION COMMISSION FUND</b>			
Savings - reduction in settlements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>HIGHWAY FUND</b>			
Savings - reduction in settlements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>LOCAL GOVERNMENTS</b>			
Savings - reduction in settlements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Small Business</u>			

This proposal could have an impact to small businesses if the proposal reduces compensable injuries and disabilities.

## DESCRIPTION

This proposal would amend various provisions of Missouri Workers Compensation Law:

- The proposal would add restrictive definitions of an injury or disease under the Workers Compensation Law.
- A work-related accident would be compensable only if it was the "dominant factor" in causing a work-related injury or disability.
- A cardiovascular, pulmonary, or respiratory disease or myocardial infarction would be regarded as compensable injuries only if an accident is the prevailing factor in causing the disability or physical or mental condition.
- The "extension of premises" doctrine would no longer apply when an accident occurs away from the employer premises, or in an automobile owned or subsidized by the employer during the course of travel to or from work.
- The proposal would attempt to abrogate certain case law and legal doctrines commonly applied to Workers Compensation cases.
- Alcohol-related injuries would not be compensable. The reduction in benefits for violation of a drug or alcohol policy would be increased from 15% to 50%. In addition, where an employee has a blood alcohol content (BAC) above .08, the alcohol would be the presumed proximate cause.
- Employees would be required to complete vocational testing and assessment.
- Disability compensation would not be payable to an individual receiving unemployment compensation.
- Weekly compensation would be restricted to two-thirds of the employee's average weekly earnings, and the first twenty weeks would also be limited to thirty percent of the state average weekly wage.
- Insurance companies or self-insured employers would be allowed to enter into voluntary settlements with claimants so long as an administrative law judge or legal advisor finds that the claimant understands the settlement and so long as it was not the result of "undue influence or fraud."

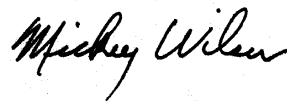
DESCRIPTION (continued)

- No proceedings could be brought against an employer without thirty days' notice unless the Division or the Commission finds that the lack of notice was not prejudicial to the employer.
- The doubling of the award for nonpayment would be limited to the amount of said award that was not paid, rather than to the entire award.
- An administrative law judge would be prohibited from establishing, maintaining, or contributing to a political campaign.
- The Labor and Industrial Relations Commission would be required to apply an impartial standard in deciding cases.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General  
Office of Administration  
Risk Management Section  
Department of Conservation  
Department of Labor and Industrial Relations



Mickey Wilson, CPA  
Director  
January 12, 2005