

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2513-01
Bill No.: SB 2
Subject: Employee-Employer; Workers' Compensation
Type: Original
Date: September 7, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Workers' Compensation	\$0 to (\$55,687)	\$0 to (\$45,760)	\$0 to (\$47,128)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (\$55,687)	\$0 to (\$45,760)	\$0 to (\$47,128)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Department of Labor and Industrial Relations (DOL)** assume this proposal would permit employees or employee organizations to opt out of the Workers' Compensation system through the use of alternative dispute resolution. The fiscal impact of this legislation is unknown since the bill is vague as to whether the Division of Workers' Compensation would have any part of the process in permitting the parties to opt out. The Division would need to adopt regulations on how to opt out.

DOL assumes the Division of Workers' Compensation (DWC) would need additional staff to monitor the alternative dispute resolution system. One Investigator II position would be needed to resolve issues of whether there is an alternative dispute resolution agreement and whether there was any duress in obtaining that agreement. In addition, DWC estimates an increase in the number of informational calls received from medical providers, injured workers, businesses and insurance companies attempting to determine their rights under the opt out system. One half-time Information Specialist would be needed to assist in answering the additional phone calls. DWC anticipates the half-time position would be needed for a minimum of one year.

ASSUMPTIONS (continued)

The market salary range for an Investigator II is \$38,088 according to the Office of Administration's Budget and Planning Guidelines. The market salary range for a part time Information Specialist (SOSA) is \$21,995. In addition, both positions would require appropriate equipment and supplies as shown on the fiscal note worksheet.

It is not possible to determine the workload an alternative dispute resolution system would generate. If the workload increases drastically, the Division of Workers' Compensation would need to hire additional investigators to ensure that parties who claim to have opted out of the system have done so properly.

DOL included an estimated cost for the additional staff, equipment, and expenses of \$65,304 for FY 2006, \$61,662 for FY 2007, and \$63,268 for FY 2008.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted DOL's estimated expense and equipment expenditures in accordance with Office of Administration budget guidelines, and estimates the cost to the Workers' Compensation Fund to range up to \$55,687 for FY 2006, up to \$45,760 for FY 2007, and up to \$47,128 for FY 2008.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have an unknown cost to school districts.

Oversight assumes the impact on school districts and other local governments would be minimal.

Officials from the **Office of Administration, Risk Management Section**, the **University of Missouri**, the **City of Cape Girardeau**, the **City of Kansas City**, and the **City of Maryland Heights** assume this proposal would have no fiscal impact on their organizations.

FISCAL IMPACT - State Government FY 2006 FY 2007 FY 2008

**WORKERS' COMPENSATION
 FUND**

Cost - Division of Workers
 Compensation (1.5 FTE) \$0 to (\$55,687) \$0 to (\$45,760) \$0 to (\$47,128)

**ESTIMATED NET EFFECT ON
 WORKERS' COMPENSATION
 FUND** **\$0 to (\$55,687)** **\$0 to (\$45,760)** **\$0 to (\$47,128)**

FISCAL IMPACT - Local Government FY 2006 FY 2007 FY 2008

\$0 **\$0** **\$0**

FISCAL IMPACT - Small Business

This proposal could have a positive impact to small businesses if it results in a reduction in compensable injuries and disabilities.

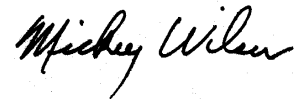
DESCRIPTION

This proposal would limit the applicability of workers compensation law to certain cases, allowing employers and employees to establish alternative dispute resolution procedures for work-related injuries.

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 Administration, Risk Management Section
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
University of Missouri
City of Cape Girardeau
City of Kansas City
City of Maryland Heights



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Director
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