

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4667-04
Bill No.: Truly Agreed To and Finally Passed SCS for HCS for HB 1883
Subject: Employees - Employers; Workers' Compensation
Type: Original
Date: May 30, 2008

Bill Summary: This proposal modifies workers' compensation payments to dependents.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$476,304	\$495,902	\$515,717
Total Estimated Net Effect on General Revenue Fund	\$476,304	\$495,902	\$515,717

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Road Fund	Unknown	Unknown	Unknown
Conservation Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal Funds (Section 290.505)	\$182,374	\$187,845	\$193,481
Total Estimated Net Effect on <u>All</u> Federal Funds	\$182,374	\$187,845	\$193,481

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of State Courts Administrator** assume no fiscal impact to the Courts.

Officials of the **Department of Public Safety** assume no fiscal impact to their department.

Officials of the **Missouri Department of Conservation** assume this proposal could have a potential positive fiscal impact on MDC funds. Officials could not estimate the amount of fiscal impact.

Officials of the **Departments of Economic Development** and **Department of Revenue** assume no fiscal impact.

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume this legislation would have no fiscal impact to their department.

Section 285.035 - Surgically implanted microchip technology:

Officials of the **Department of Corrections** stated that this section provides for violations to be a class A misdemeanor. Officials stated that the fiscal impact would be \$0 or minimal which could be absorbed with existing resources.

Sections 287.020, 287.200, and 287.230:

Officials at the **Office of Administration** assume the State of Missouri's self-insured workers' compensation program, the Central Accident Reporting Office (CARO) covers state employees (excluding MoDOT, Missouri State Highway Patrol and University of Missouri systems). CARO is currently obligated to ongoing weekly benefits to 14 past state employees deemed to be permanently and totally disabled. Of these, 13 cases have the potential for extended dependent obligations at the time of death of the employee resulting from the Schoemehl decision. Currently CARO does not maintain dependent status on these 13 cases. In addition to these cases, CARO has identified an additional 19 cases that may result in permanent total disability in the very near future.

ASSUMPTION (continued)

The U.S. Census Bureau indicates of the total households of one wage earner and two earners or more, single wage earner households account for 50% of the total. Applying the 50% to the 13 cases, 6.5 cases may be single wage earner households, thus at the time of death of the employee, the spouse may be a sole dependent. The average weekly compensation rate for these cases is \$252.35 multiplied by the 6.5 cases equate to \$1,640.28 in weekly benefits. Of the additional 19 cases, 9.5 cases would be considered as possible single wage earner households with spouses as sole dependents. The average weekly compensation rate for these cases is \$304.92 multiplied by the 9.5 cases equate to \$2,896.74. Combining the two sets, the total weekly obligation to extend benefits to sole dependents is \$4,537.02 or \$235,925.04 annually.

The length of this obligation is difficult to assume. However assuming the employee should die of natural causes and that the spouse may be near the age of the employee, we are projecting 10 additional years for the remaining spouse. Therefore the savings would be for approximately 10 years for the cases identified. This does not take into consideration any minors that may be deemed to be sole dependents at time of the employee's death.

While the state, to date, has not yet incurred any additional cost due to the Schoemehl decision, we do assume an annual cost savings of approximately \$235,925 to the State of Missouri with the proposed legislation. No cost inflator is utilized in that weekly compensation rates remain the same throughout the period of obligation

Oversight assumes that the **Missouri Department of Transportation (MoDOT)** is self-insured to provide workers' compensation coverage to employees. This legislation would have a positive fiscal impact on MoDOT/MHTC if it passes.

Officials at the **Office of the State Treasurer** and the **Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

Officials at the **Office of the Attorney General** assume this proposal will create potential cost savings in the long term.

ASSUMPTION (continued)

Section 290.505 - Overtime provisions of state law:

In response to identical legislation of this session, fiscal note 4110-01, SB 1007 the following fiscal impact statements were made to section 290.505:

Officials at the OA assume this proposal affects all state agencies since it changes overtime provisions of state law. However, the main impact of the proposed legislation is upon the Department of Corrections and the Adjutant General of the Department of Public Safety. Those state agencies employ flexible schedules for overtime calculations under federal law.

The Department of Corrections would have 133 employees affected at an average salary of \$27,628 per annum.

The Adjutant General has 24 employees affected at an average salary of \$35,735.

The OA estimate of General Revenue Fund costs which could be avoided if the proposal was implemented totaled \$240,379 for FY09, \$247,590 for FY10 and \$255,017 for FY11.

Costs avoided for Federal Funds were estimated at \$182,374 for FY09, \$187,845 for FY 10, and \$193,481 for FY11. The OA estimate represents the overtime costs if the same number of hours were worked on a forty-hour work week basis as opposed to the current 28-day schedules. Benefits are calculated at 27.05%, instead of 44.22% as the cost estimates affect existing employees and does not require the addition of more employees.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings</u> - CARO			
Second Injury Fund payouts (Sections 287.020, 287.200, and 287.230)	<u>\$235,925</u>	<u>\$235,925</u>	<u>\$235,925</u>
<u>Savings</u> - Minimum wage & overtime (Section 290.505)	<u>\$240,379</u>	<u>\$259,977</u>	<u>\$279,792</u>

<u>FISCAL IMPACT - State Government</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>(10 Mo.)</u>		
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$476,304</u>	<u>\$495,902</u>	<u>\$515,717</u>
ROAD FUND			
<u>Savings</u> - MoDOT			
Second Injury Fund pay-outs (Sections 287.020, 287.200, and 287.230)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
CONSERVATION FUND			
<u>Savings</u> - To Conservation Fund			
Second Injury Fund Payouts (Sections 287.020, 287.200, and 287.230)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
FEDERAL FUNDS			
<u>Savings</u> - Overtime costs Adjutant			
General (Sections 287.020, 287.200, and 287.230)	<u>\$182,374</u>	<u>\$187,845</u>	<u>\$193,481</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$182,374</u>	<u>\$187,845</u>	<u>\$193,481</u>

<u>FISCAL IMPACT - Local Government</u>	<u>FY 2009</u> <u>(10 Mo.)</u>	<u>FY 2010</u>	<u>FY 2011</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under Sections 287.020, 287.200, and 287.230 all rights to un-accrued compensation for permanent total disability shall cease upon the death of the injured employee. Unpaid un-accrued compensation for permanent partial disability will continue to be paid to dependents.

Sections 287.020, 287.200, and 287.230 have an emergency clause.

Section 290.505 - changes overtime provisions of state law. Agencies that employ flexible schedules for overtime calculations under federal law would be affected.

Section 320.336 Expands employee job protection to include members of Federal Emergency Management Agency (FEMA).

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

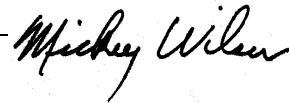
SOURCES OF INFORMATION

Office of the State Treasurer
Office of the Attorney General
Department of Labor and Industrial Relations
Office of Administration
Missouri Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Courts Administrator
Administrative Hearing Commission
Department of Conservation
Department of Economic Development

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NOT RESPONDING

None



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Director
May 30, 2008