

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5366-02
Bill No.: SB 1241
Subject: Employers - Employees; Workers Compensation
Type: Original
Date: March 3, 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	(Unknown) to \$235,925	(Unknown) to \$235,925	(Unknown) to \$235,925
Total Estimated Net Effect on General Revenue Fund	(Unknown) to \$235,925	(Unknown) to \$235,925	(Unknown) to \$235,925

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Second Injury Fund	Unknown over \$100,000	Unknown over \$100,000	Unknown over \$100,000
Road Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown over \$100,000	Unknown over \$100,000	Unknown over \$100,000

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

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 at the **Department of Labor and Industrial Relations (DOLIR)** assume this legislation abrogates a Supreme Court decision regarding the Second Injury Fund. DOLIR at this time is unable to determine how the recent Missouri Supreme Court decision in Schoemehl v. Treasurer of the State of Missouri, 217 S.W. 3d 900 (Mo 2007) will impact Second Injury Fund payouts for cases involving permanent total disability benefits over the long term. A recent Actuarial Review of the Second Injury Fund (completed July 30, 2007) determined that this court decision, which this legislation abrogates, "...has a relatively insignificant impact on expected calendar payments for the next five years... [2008 to 2012]." Since this legislation abrogates the Schoemehl decision, such action would create a savings for the Fund, however, DOLIR cannot determine the amount of savings.

The bill also eliminates eligibility for Second Injury Fund benefits for all preexisting conditions and injuries except those for veterans with documented injuries that occurred from service in the United States military. Discontinuing SIF eligibility except for certain injuries sustained by veterans would still leave the Second Injury Fund responsible for the liability of those claims filed prior to the cut off date of January 1, 2009. Permanent Total Disability payments (payments for the lifetime of the claimant) would remain as a SIF liability for a longer term. The Division is unable to determine what those liabilities would be. However, a recent actuarial review of the Second Injury Fund estimated that "...if SIF did not accept claims in which the date of injury were after December 31, 2008, the cost to pay off claims with accident dates December 31, 2008 and prior would be \$992 million." The Division assumes that there would be potential savings to the SIF over the long term.

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.

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,

ASSUMPTION (continued)

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

Additionally OA assumes that it is likely that some of the compensation that was available from the Second Injury Fund would be pursued against the employer/insurer from the primary injury. Therefore there is the potential for increased cost to the state's self-insured workers' compensation program that cannot be determined at this time.

Officials at the **Office of the Attorney General** assume cost savings in the long term.

Officials at the **Office of the State Treasurer** assume there will be a fiscal impact for all years out to 2011 with that impact being \$0 (if the fund remains open working for veterans and the STO is still paid out of it) to \$45,069 if not.

Oversight assumes the Second Injury Fund will remain open during the period covered by this fiscal note and therefor there is no impact to the Office of the State Treasurer.

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

ASSUMPTION (continued)

Officials at the **Missouri Veterans Commission, Department of Conservation and Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings - CARO</u>			
Second Injury Fund payouts	\$235,925	\$235,925	\$235,925
<u>Cost- CARO</u>			
Increased workers compensation payments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown) to</u> <u>\$235,925</u>	<u>(Unknown) to</u> <u>\$235,925</u>	<u>(Unknown) to</u> <u>\$235,925</u>

SECOND INJURY FUND

Savings- DOLIR

Second Injury Fund pay-outs	<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>
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**ESTIMATED NET EFFECT ON
SECOND INJURY FUND**

<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>	<u>Unknown over</u> <u>\$100,000</u>
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ROAD FUND

Savings - MoDOT

Second Injury Fund pay-outs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**ESTIMATED NET EFFECT ON
ROAD FUND**

<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Local Government

FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Businesses would have a savings in the amount paid to the state for the Second Injury Fund.

FISCAL DESCRIPTION

All rights to unaccrued compensation for permanent total disability shall cease upon the death of the injured employee. Unpaid unaccrued compensation for permanent partial disability will continue to be paid to dependents.

After January 1, 2009, only veterans with documented injuries that occurred while serving in the United States military shall be eligible to receive benefits from the second injury fund.

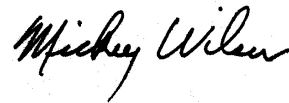
This act contains an emergency clause.

FISCAL DESCRIPTION (continued)

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

Missouri Veterans Commission
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Missouri Department of Transportation
Department of Conservation
Department of Labor and Industrial Relations
Office of the Attorney General
Office of Administration
Office of the State Treasurer



Mickey Wilson, CPA
Director
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