

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1742-01
Bill No.: HB 629
Subject: Employees - Employers; Labor and Management; Workers Compensation
Type: Original
Date: March 13, 2007

Bill Summary: This proposal changes various laws relating to workers' compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$194,022	\$194,022	\$194,022
Total Estimated Net Effect on General Revenue Fund	\$194,022	\$194,022	\$194,022

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Road Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Risk Management** assume the proposed legislation appears to be in response to the recent Missouri Supreme Court decision *Schoemehl v. Treasurer*, MLW No. 55251, wherein the court ruled that permanent total disability benefits should be paid to surviving dependents of an injured employee after the employee dies, even if the death was unrelated to the work injury.

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 15 past state employees deemed to be permanently and totally disabled. Of these, 14 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 14 cases. In addition to these cases, CARO has identified an additional 13 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 14 cases, 7 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 \$243.61 multiplied by the 7 cases equate to \$1,705.27 in weekly benefits.

Of the additional 13 cases, 6.5 cases would be considered as possible single wage earner households with spouses as sole dependents. The average weekly compensation rate for these cases is \$311.38 multiplied by the 6.5 cases equate to \$2,025.92.

Combining the two sets, the total weekly obligation to extend benefits to sole dependents is \$3,731.19 or \$194,021.88 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 \$194,022 to the State of Missouri with the proposed legislation that rejects and abrogates the *Schoemehl* ruling. No cost inflator is

ASSUMPTION (continued)

utilized in that weekly compensation rates remain the same throughout the period of obligation.

Officials at the **Missouri Department of Transportation (MoDOT)** assume the fiscal impact is unknown and would depend on the number of permanent total disability cases MoDOT would have in the future.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Labor and Industrial Relations, Department of Elementary and Secondary Education, Department of Insurance, Financial Institutions and Professional Registration, St. Louis County, City of Centralia, Administrative Hearing Commission, City of Kansas City, Parkway School District** and the **City of West Plains** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Savings</u> - General Revenue			
Compensation payment savings	<u>\$194,022</u>	<u>\$194,022</u>	<u>\$194,022</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$194,022</u>	<u>\$194,022</u>	<u>\$194,022</u>
ROAD FUND			
<u>Savings</u> - Road Fund			
Compensation payment savings	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Local Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

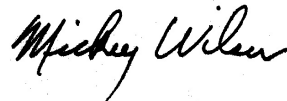
FISCAL DESCRIPTION

This bill specifies that in applying the provisions of the Workers' Compensation Law it is the intent of the legislature to reject and abrogate Schoemehl v. Treasurer of the State of Missouri, 2007 WL58370 and all cases citing, interpreting, applying, or following this case. The bill reaffirms that the right for compensation for permanent total disability of an injured employee terminates on the date of the injured employee's death.

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

Department of Labor and Industrial Relations
Department of Insurance, Financial Institutions & Professional Registration
City of West Plains
St. Louis County
Department of Elementary and Secondary Education
Office of Administration
 Risk Management
City of Kansas City
Administrative Hearing Commission
City of Centralia
Parkway School District
Office of the Attorney General
Department of Transportation



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