

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4599-02
Bill No.: HB 2311
Subject: Employees - Employers; Labor and Industrial Relations Department; Workers Compensation
Type: Original
Date: March 11, 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	\$235,925	\$235,925	\$235,925
Total Estimated Net Effect on General Revenue Fund	\$235,925	\$235,925	\$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 6 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.

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, 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.

ASSUMPTION (continued)

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

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

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.

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

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings</u> - CARO			
Second Injury Fund payouts	<u>\$235,925</u>	<u>\$235,925</u>	<u>\$235,925</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$235,925</u>	<u>\$235,925</u>	<u>\$235,925</u>
SECOND INJURY FUND			
<u>Savings</u> - Second Injury Fund			
Savings in pay-outs	<u>Unknown over \$100,000</u>	<u>Unknown over \$100,000</u>	<u>Unknown over \$100,000</u>
ESTIMATED NET EFFECT ON SECOND INJURY FUND	<u>Unknown over \$100,000</u>	<u>Unknown over \$100,000</u>	<u>Unknown over \$100,000</u>
ROAD FUND			
<u>Savings</u> - MoDOT			
Second Injury Fund pay-outs	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may result in a cost savings to businesses.

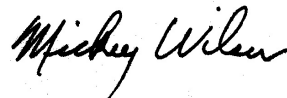
FISCAL DESCRIPTION

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.

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

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



Mickey Wilson, CPA
Director
March 11, 2008