

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5625-01
Bill No.: HB 1663
Subject: Liability; Workers Compensation; Employees - Employers
Type: Original
Date: February 14, 2014

Bill Summary: This proposal would change the amount by which the compensation and death benefit would be increased or reduced by for an employee's personal injury or death if caused by certain failures of the employer or employee.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Road	(Unknown)	(Unknown)	(Unknown)
Other	(Unknown)	(Unknown)	(Unknown)
Colleges and Universities	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Other	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of General Services (OA)** assume this proposal would result in unknown costs to their organization.

OA officials noted the provisions in subsection 287.120.4, RSMo, would change the penalty from fifteen to twenty-five percent of the compensation and death benefit provided for under this chapter if a workers' compensation injury is caused by the failure of the employer to comply with any statute in the state or any lawful order of the division or the commission. This change could result in additional costs to the state's workers' compensation fund.

In addition, OA officials noted the provisions in subsection 287.120.5, RSMo, would limit the reduction of benefits for a workers' compensation injury caused by the failure of the employee to use safety devices where provided by the employer, or from the employee's failure to obey any reasonable rule adopted by the employer for the safety of employees. Current provisions allow a reduction of twenty-five percent up to fifty percent; the proposal would limit the benefit reduction to twenty-five percent. This change would result in a smaller reduction of benefits if an employee was not following safety requirements and could result in additional costs to the state's workers' compensation fund.

Officials from the **Department of Conservation** assume this proposal would have an unknown negative fiscal impact less than \$100,000 annually.

Officials from the **Department of Transportation** assume this proposal would have an unknown impact on their organization. The proposal would increase the amount of workers' compensation benefits, including the death benefit, when an injury is caused by an employer's failure to comply with a statute. Under current law, a benefit may be increased by 15% for an employer's failure; if the proposal is implemented the benefit would be increased by 25%. The proposal would also limit the reduction in workers' compensation benefits due to an employee's failure to follow safety rules or use safety devices. Under current law, a benefit is to be reduced by at least 25% but no more than 50% for such employee's failure. If the proposal is implemented, the reduction would be limited to 25%.

ASSUMPTION (continued)

Officials from **St. Louis County** assume this proposal would change the "safety deduction" for a workers' compensation settlement from the current range of 25%-50% to a standard 25%. Based on St. Louis County's current claim frequency and severity data, this proposal could reduce overall workers' compensation costs by \$15,000 per fiscal year.

This proposal would also increase the penalty for employers who fail to comply with a statute or lawful order of the division or the commission from 15% to 25%. Because St. Louis County believes it is in compliance with state statutes and orders of the division and the commission, and it intends to remain compliant in the future, this legislation is expected to have no impact on overall workers' compensation costs.

Officials from the **City of Kansas City** assume employers' costs would increase due to the fact that the death benefit would be increased by 10% (from 15% to 25%), and the penalty for an employee's failure to follow the employer's safety rule would be reduced by 25%. City officials stated it is impossible to estimate future employer costs.

Officials from the **Johnson County R-VII School District** assume this proposal could have a potentially huge cost to small school districts.

Officials from the **University of Missouri** assume this proposal would not have a significant fiscal impact on their organization.

Officials from **Northwest Missouri State University** assume the fiscal impact to their organization from this proposal is unknown.

Officials from **Department of Labor and Industrial Relations, Cole County, Jefferson City, Linn State Technical College, the University of Central Missouri, the Platte County Board of Elections, and the St. Louis County Directors of Elections** assume the proposal would have no fiscal impact their organizations.

ASSUMPTION (continued)

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee's Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, the Special School District of St. Louis County, Spickard, St. Joseph, St. Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

Officials from the following colleges: Crowder College, East Central Community College, Harris-Stowe State University, Jefferson College, Kansas City Metro Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Missouri Western State University, Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to our request for information.

ASSUMPTION (continued)

Oversight will indicate unknown additional cost to the General Revenue Fund, the Conservation Commission Fund, Road Funds, Other State Funds, Other Federal Funds, Colleges and Universities, and for local governments.

Oversight assumes this proposal would become effective in August, 2014 (FY 2015).

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Additional cost - State agencies</u> Workers' compensation claims Sections 287.120.4 and 287.120.5	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Additional cost - Conservation Commission</u> Workers' compensation claims Sections 287.120.4 and 287.120.5	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

ROAD FUNDS

Additional cost - Department of
 Transportation
 Workers' compensation claims
 Sections 287.120.4 and 287.120.5

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 ROAD FUNDS**

(Unknown)

(Unknown)

(Unknown)

OTHER STATE FUNDS

Additional cost - State Agencies
 Workers' compensation claims
 Sections 287.120.4 and 287.120.5

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

(Unknown)

(Unknown)

(Unknown)

OTHER FEDERAL FUNDS

Additional cost - State Agencies
 Workers' compensation claims
 Sections 287.120.4 and 287.120.5

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 OTHER FEDERAL FUNDS**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

COLLEGES AND UNIVERSITIES

Additional cost - Colleges and
 Universities

Workers' compensation claims
 Sections 287.120.4 and 287.120.5

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 COLLEGES AND UNIVERSITIES**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Local Government

FY 2015
 (10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Additional cost - Local governments

Workers' compensation claims
 Sections 287.120.4 and 287.120.5

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

This proposal could increase the cost of workers' compensation coverage for small businesses.

FISCAL DESCRIPTION

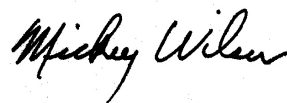
This proposal would change the amount by which the compensation and death benefit would be increased or reduced by for an employee's personal injury or death if caused by certain failures of the employer or employee.

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

SAS:LR:OD

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of General Services
Department of Conservation
Department of Labor and Industrial Relations
Department of Transportation
Linn State Technical College
Northwest Missouri State University
University of Central Missouri
University of Missouri
Cole County
St. Louis County
Jefferson City
Kansas City
Johnson County R-VII School District
Platte County Board of Elections
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February 14, 2014

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