

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0189H.02C
Bill No.: HCS for HB 123
Subject: Workers Compensation; Labor and Management; Department of Labor and Industrial Relations; Employees - Employers; Judges
Type: Original
Date: March 6, 2025

Bill Summary: This proposal modifies provisions related to workers' compensation administrative law judges.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*/**	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

*Oversight assumes an unknown savings for worker's compensation claims and an unknown savings from the restriction on ALJ salary increases. **Oversight** assumes the potential savings could exceed \$250,000.

**Oversight assumes \$0 to (Unknown) OSCA impact would be less than \$250,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§287.200, 287.615 and 287.835 – Workers’ compensation administrative law judges

Officials from the **Office of the State Courts Administrator (OSCA)** state HCS for HB 123 may have some fiscal impact but there is no way to quantify that amount currently. Any significant changes will be reflected in future budget requests.

Oversight notes OSCA assumes this proposal may have some impact on their organization although it can’t be quantified at this time. As OSCA is unable to provide additional information regarding the potential impact, Oversight assumes the proposed legislation will have a \$0 to (Unknown) cost to the General Revenue Fund. For fiscal note purposes, Oversight also assumes the impact will be under \$250,000 annually. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Officials from the **Office of Administration (OA)** state §287.200.3(2) of this proposal adds a provision for an award of permanent total disability to suspend the lifetime payment when the employee is restored to his or her regular work or its equivalent. This provision could potentially decrease the cost of a workers’ compensation claim. The potential cost to the state is unknown. The amount of cost decrease, if any, cannot be estimated as it would depend on the facts and circumstances of each case and judicial interpretation of the changes.

Oversight has no information to the contrary and will range the fiscal impact of this proposal as \$0 to Unknown savings. It is assumed the potential savings would be less than \$250,000 annually since the number of employees restored to his/her regular work would likely be very low.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state §287.610 would have an impact if paying attorney fees on a complaint made against an ALJ by the Director to AHC that was found to be invalid. However, the impact is unknown and incalculable because DOLIR doesn't know how much an attorney fee would be.

Oversight assumes attorney fees related to a complaint filed would be minimal and absorbable by DOLIR and will present no fiscal impact for this agency. Oversight further assumes, if fees were significant, DOLIR could request additional funding through the appropriations process.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** state as it relates to MOSERS, this proposal, if enacted, would remove §287.835.1 and allow an Administrative Law Judge (ALJ) and the ALJ's beneficiary to remain entitled to ALJ plan retirement benefits if the ALJ were removed from office by impeachment or for misconduct, or disbarred from the practice of law.

This proposal would result in an unknown cost as it would allow the ALJ and the ALJ's beneficiary to receive a benefit that they would not otherwise receive under the current plan provisions.

Oversight assumes this would impact a minimal number of ALJs. Therefore, Oversight assumes this would not result in an increase in employer contributions.

In response to the previous version of this proposal, officials from the **Office of Administration - Budget and Planning (B&P)** stated §287.470.2 is added which allows the name, information, and fee arrangement to be changed on a PTD (permanent and total disability) and/or SIF (Second Injury Fund) file so long as written permission is given by both the claimant and attorney. This addition will have no fiscal impact.

Section 287.610.8 is repealed 287.610.2, 287.610.3, 287.610.4 and 287.610.5 are modified allowing the Director of the Division of Workers' Compensation (DWC) to file a complaint against an Administrative Law Judge (ALJ) who has committed and/or been convicted of a criminal offense, is guilty of misconduct, habitual intoxication, willful neglect of duty, corruption in office, or incompetency, or committed any immoral act or oppression in office. The DWC director shall notify the ALJ the reasons for the complaint before filling it with the administrative hearing commission (AHC). The ALJ has 90 days from the date of the complaint to remedy behavior considered willful neglect of duty or incompetency. If the AHC finds grounds for disciplinary action are met, the DWC director may remove the ALJ from office, suspend the ALJ from the performance of their duties for a period of time, or other disciplinary action the director determined by the director. Events or acts committed by an ALJ are deemed a threat to the administration of provisions in chapter 287, RSMo shall be considered cause for suspension of duties with pay without notice. These provisions do not impact total state revenues.

Section 287.615.1(2) repeals the position of chief legal counsel and provides that administrative law judge salaries are set by statute and not subject to increase when pay raises for executive employees are appropriated. These provisions do not impact total state revenues.

Section 287.835.1, which prohibits ALJs who are removed from office from receiving benefits, is repealed. These provisions do not impact total state revenues.

Section 621.045.4 is added allowing the AHC to conduct hearings in cases of complaints made by the director of the DWC against ALJs as provided in section 287.610. These provisions do not impact total state revenues.

Oversight assumes there could be a potential savings that could exceed \$250,000 if ALJs are not subject to the increase when pay raises for executive employees are appropriated.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state its review of the legislation indicates it would not affect retirement plan benefits as defined in §105.660(9).

Officials from the **Office of Administration - Administrative Hearing Commission** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs Avoidance</u> – OA (§287.200) – potential savings in worker’s compensation claims p.4-5	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost Avoidance</u> – ALJ’s – potential savings in pay raises (§§287.615 & 287.835) p. 4-5	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> – OSCA (§§287.200, 287.615 and 287.835) – increase in costs related to disability and ALJ provisions p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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

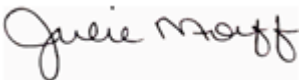
The bill provides that the compensation for Administrative Law Judges and chief administrative law judges will be determined solely by the rate outlined in law and will not increase when pay raises for executive employees are appropriated. (§287.615)

The bill repeals a prohibition on the payment of any retirement benefits under Workers' Compensation law to any Administrative Law Judge who has been removed from office by impeachment or for misconduct, or to any person who has been disbarred from the practice of law, or to the beneficiary of any such persons. (§287.835)

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 Administration - Administrative Hearing Commission
Office of Administration - Budget and Planning
Department of Labor and Industrial Relations
Office of Administration
Joint Committee on Public Employee Retirement
Missouri State Employee's Retirement System
Office of the State Courts Administrator



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March 6, 2025



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