

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3231-01  
Bill No.: SB 856  
Subject: Business and Commerce; Employees-Employers; Labor and Management;  
Workers Compensation; Religion; Evidence; Labor and Industrial Relations Dept.  
Type: Original  
Date: January 27, 2004

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Second Injury Fund	\$158,836 to \$258,836	\$639,531 to \$739,531	\$899,131 to \$999,131
Various State Funds	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Conservation Commission Fund	Unknown	Unknown	Unknown
Highway Fund	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>(Unknown) to Unknown</b>	<b>Unknown) to Unknown</b>	<b>Unknown) to Unknown</b>

---

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration, Division of Budget and Planning**, and the **University of Missouri** assume this proposal would have no impact on their organizations.

Officials from the **Department of Labor and Industrial Relations, Division of Workers' Compensation** (Division) anticipates that the combination of various changes reducing compensable injuries will combine to provide a minimal reduction in benefits, or cost savings, to the Second Injury Fund during the period covered by this fiscal note.

Based on cases disposed of in FY 2001, FY 2002, and FY 2003, the overall average case disposition time equaled 2.91 years for Second Injury Fund cases. These averages ranged from a low of 2.84 years in FY 2003 to a high of 3.00 years in FY 2001.

Since the changes in this proposal will only effect injury dates occurring on, or after, August 28, 2004, it will take several years for the full impact of this proposal to be fully reflected in a cost savings to the Second Injury Fund.

The Division made an assumption that, in its entirety, this legislation will reduce total compensable cases by 3 percent. Based on the last three fiscal years, the average number of Second Injury Fund cases resolved with an award being issued equaled 11,355. A 3 percent reduction in this number equals 11,014. Again, based on Division data, 20.30 percent of all cases are resolved one year from the injury date, an additional 37.70 percent within two years, and another additional 20.35% within three years. Since the onset of each year will initiate different first year cases, second year cases that were once first year cases, and so on, the preceding percentage amount for a given year is added to the current percentage amount, to determine the case resolution numbers. Data from the three preceding years was used to determine the average cost per resolved case.

ASSUMPTION (continued)

The final calculation, with its corresponding cost reduction to the Second Injury Fund is, therefore, as follows:

FY 2005: 11,355 (total average current cases with benefits) X 3% (total % of cases with benefits under new law) = 341 (total projected cases with benefits) X 20.30% (total % projected cases resolved under new law) = 69 (total cases resolved under new law) X \$3,743 (average cost per case) = \$258,835.75 total cost savings.

FY 2006: 11,355 (total average current cases with benefits) X 3% (total % of cases with benefits under new law) = 341 (total projected cases with benefits) X 58% (total % projected cases resolved under new law) = 198 (total cases resolved under new law) X \$3,743 (average cost per case) = \$739,530.71 total cost savings.

FY 2007: 11,355 (total average current cases with benefits) X 3% (total % of cases with benefits under new law) = 341 (total projected cases with benefits) X 78.36% (total % projected cases resolved under new law) = 267 (total cases resolved under new law) X \$3,743 (average cost per case) = \$999,131.49 total cost savings.

Officials from the **Office of Administration, Division of Risk Management** assume the proposal would generate unknown savings for the General Revenue Fund from the reduction in Workers' Compensation program insurance and costs.

In response to a similar proposal from the prior session, officials from the **Department of Public Safety – Missouri State Highway Patrol** state their Risk Management section, which is responsible for the administration of the Patrol's Workers' Compensation program, assume this proposal would result in additional unknown cost to their Workers' Compensation system.

In response to a similar proposal from the prior session, officials from the **St. Louis Metropolitan Police Department** assume costs related to passage of this proposal could be high; however, it would be impossible to calculate the cost of the proposed changes as there is no historical data upon which to base an estimate.

ASSUMPTION (continued)

In response to a similar proposal from the prior session, officials from the **City of Columbia Police Department** assume there would be costs and losses associated with this proposal and note there would be a significant impact on Workers' Compensation cases.

In response to a similar proposal from the prior session, the **Department of Labor and Industrial Relations** (DOL) noted there are approximately 20,000 peace officers in Missouri. DOL assumed, based on the limited provisions of the proposal, between zero (0) and two (2) peace officers would have compensable occupational illnesses because of this proposal. DOL assumes if the occupational illness or disease results in Second Injury Fund liability, the annual fiscal impact would be less than \$50,000.

**Oversight** notes even though current law contains a similar provision for peace officers, the language in current law is permissive whereas the language in this proposal is mandatory. Therefore, Oversight is reflecting a fiscal impact related to passage of the proposal. Oversight assumes there would not be enough compensable claims in a given year to cause costs to the Second Injury Fund to be greater than \$100,000 and therefore assume costs less than \$100,000.

**Oversight** assumes local governments which are self-insured, could experience increased costs to their Workers' Compensation fund arising from potential increases in out-of-pocket costs and increased contributions to the fund for law enforcement officers.

**Oversight** assumes there would also be unknown savings to local governments for general employees' Workers' Compensation coverage.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE</b>			
<u>Savings</u> – Office of Administration			
Potential Reduction in Claims Paid	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> – Office of Administration			
Increase in Amounts Paid for Workers’ Compensation Cases (Peace Officers)	<u>(Unknown, could Exceed \$100,000)</u>	<u>(Unknown, could Exceed \$100,000)</u>	<u>(Unknown, could Exceed \$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>
<b>SECOND INJURY FUND</b>			
<u>Savings</u> – Division of Workers’ Compensation			
Reduction in Claims Paid	\$258,836	\$739,531	\$999,131
<u>Costs</u> – DOL			
Increase in Claims Paid (Peace Officers)	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>\$158,836 to \$258,836</u></b>	<b><u>\$639,531 to \$739,531</u></b>	<b><u>\$899,131 to \$999,131</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
---	---------------------	---------	---------

**VARIOUS STATE FUNDS**

Savings – Various Agencies

Potential Reduction in Claims Paid	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
------------------------------------	-------------------	-------------------	-------------------

Costs – Missouri State Highway Patrol

Increase in Amounts Paid for Workers' Compensation Cases	<u>(Unknown, could Exceed \$100,000)</u>	<u>(Unknown, could Exceed \$100,000)</u>	<u>(Unknown, could Exceed \$100,000)</u>
--	--	--	--

<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>
--	--	--	--

**CONSERVATION COMMISSION  
FUND**

Savings – Department of Conservation

Potential Reduction in Claims Paid	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
------------------------------------	-------------------	-------------------	-------------------

Costs – Department of Conservation

Increase in Amounts Paid for Workers' Compensation Cases (Peace Officers)	<u>(Unknown, less than \$100,000)</u>	<u>(Unknown, less than \$100,000)</u>	<u>(Unknown, less than \$100,000)</u>
---	---------------------------------------	---------------------------------------	---------------------------------------

<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
---	-----------------------	-----------------------	-----------------------

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
---	---------------------	---------	---------

**HIGHWAY FUND**

SS:LR:OD (12/02)

Savings – Department of Transportation

Potential Reduction in Claims Paid	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
------------------------------------	-------------------	-------------------	-------------------

Costs – Department of Transportation

Increase in Amounts Paid for Workers' Compensation Cases (Peace Officers)	<u>(Unknown, less than \$100,000)</u>	<u>(Unknown, less than \$100,000)</u>	<u>(Unknown, less than \$100,000)</u>
---	---------------------------------------	---------------------------------------	---------------------------------------

**ESTIMATED NET EFFECT ON  
HIGHWAY FUND**

<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
-----------------------	-----------------------	-----------------------

FISCAL IMPACT - Local Government

FY 2005 (10 Mo.)	FY 2006	FY 2007
---------------------	---------	---------

**VARIOUS LOCAL FUNDS**

Savings – Various Local Governments

Reduction in Potential Workers' Compensation Claims	Unknown	Unknown	Unknown
---	---------	---------	---------

Costs – Law Enforcement Agencies

Increase in Out-of-Pocket Costs and Increase in Contributions Paid to Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
--	------------------	------------------	------------------

**ESTIMATED NET EFFECT ON  
VARIOUS LOCAL FUNDS**

<u><b>(Unknown) to Unknown</b></u>	<u><b>(Unknown) to Unknown</b></u>	<u><b>(Unknown) to Unknown</b></u>
------------------------------------	------------------------------------	------------------------------------



### FISCAL IMPACT - Small Business

This proposal could impact small businesses if there are reductions in the amount of Workers' Compensation benefits paid as a result of passage of this proposal.

### DESCRIPTION

This proposal would revise several provisions of the state Workers' Compensation law:

- Senate confirmation would be required for members of the Labor and Industrial Relations Commission (LIRC).
- The proposal would require a work-related accident to be the "dominant factor" in causing a work-related injury or disability in order to be compensable.
- The proposal also changes the definition of "accident" to a specific, identifiable, traumatic event during a single work shift.
- The "extension of premises" doctrine would not longer apply when an accident occurs away from the employer premises and in an employer automobile during the course of travel to or from work.
- Finally, the proposed legislation states that injuries sustained by cardiovascular, pulmonary, respiratory or myocardial infarction would be regarded as compensable injuries only if the accident is the dominant factor in causing the disability or physical or mental condition.
- Specified diseases, including heart, lung and respiratory diseases, would be recognized as occupational diseases for Workers' Compensation for peace officers, if a direct causal relationship is determined.

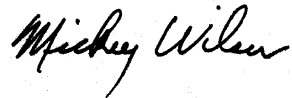
DESCRIPTION (continued)

- The reduction in benefits for violation of a drug or alcohol policy would be increased from 15% to 50%. In addition, where an employee has a blood alcohol content (BAC) above .08, the alcohol would be the presumed proximate cause.
- Insurance companies or self-insured employers would be allowed to enter into voluntary settlements with claimants so long as an administrative law judge or legal advisor finds that the claimant understands the settlement and so long as it was not the result of "undue influence or fraud."
- The proposed legislation would restricts the doubling of the award for nonpayment to the amount of said award that was not paid, rather than the entire award.
- Administrative law judges would be prohibited from establishing, maintaining or contributing to political campaign committees.
- The Division of Workers' Compensation (Division) and the LIRC would be instructed to "impartially" rather than "liberally construe" the requirement of the Workers' Compensation law.
- Employees could decline workers' compensation coverage based on personal religious convictions provided that these convictions meet certain standards as defined.

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  
Office of Administration  
    Division of Risk Management  
    Division of Budget and Planning  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 27, 2004