

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3231-03  
Bill No.: SCS for SB 856  
Subject: Business and Commerce; Employees-Employers; Labor and Management;  
Workers Compensation; Religion; Evidence; Labor and Industrial Relations Dept.  
Type: Original  
Date: February 16, 2004

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**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	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Second Injury Fund	\$258,836	\$739,531	\$999,131
Conservation Commission Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Highway Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Various State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$258,836 to Unknown</b>	<b>\$739,531 to Unknown</b>	<b>\$999,131 to Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<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>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

### **FISCAL ANALYSIS**

### ASSUMPTION

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

In response to a previous version of this proposal, officials from the **University of Missouri** assumed 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 affect 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.

In response to a previous version of the proposal, officials from the **Office of Administration, Division of Risk Management** assumed the proposal would generate unknown savings for the General Revenue Fund from the reduction in Workers' Compensation program insurance and costs.

**Oversight** assumes there would also be unknown savings to other state funds, and to local governments for employees' Workers' Compensation coverage. Oversight has shown a range of \$0 to Unknown in cost savings for this proposal.

<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	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>
<b>SECOND INJURY FUND</b>			
<u>Savings</u> – Division of Workers’ Compensation			
Reduction in Claims Paid	<u>\$258,836</u>	<u>\$739,531</u>	<u>\$999,131</u>
<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>\$258,836</u></b>	<b><u>\$739,531</u></b>	<b><u>\$999,131</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Savings</u> – Department of Conservation			
Potential Reduction in Claims Paid	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>

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

### Savings – Department of Transportation

Potential Reduction in Claims Paid	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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### **ESTIMATED NET EFFECT ON HIGHWAY FUND**

<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>
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## **VARIOUS STATE FUNDS**

### Savings – Various Agencies

Potential Reduction in Claims Paid	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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### **ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS**

<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>
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### 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	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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### **ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS**

<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>	<u><b>\$0 to Unknown</b></u>
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### 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.
- 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.
- 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."

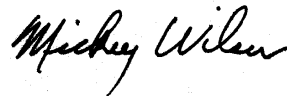
DESCRIPTION (continued)

- The proposed legislation would restrict 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 requirements 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



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Director  
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