

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1762-01  
Bill No.: SB 417  
Subject: Second Injury Fund; Interest Payments in Workers' Claims  
Type: Original  
Date: March 13, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Insurance Dedicated	(\$30,400)	\$0	\$0
Road	(Unknown)	(Unknown)	(Unknown)
Second Injury	Unknown	Unknown	Unknown
Workers' Compensation	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<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 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning** assume the proposed legislation should not result in additional costs or savings to their agency.

Officials from the **Office of State Treasurer** and the **Office of Administration - Division of General Services** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Transportation** assume they are unable to determine the fiscal impact on the self insurance plan. Therefore, officials assume an (unknown) impact to the Road Fund.

Officials from the **Department of Labor and Industrial Relations** (DOL) assume they are unable to determine the impact of this legislation on the Workers' Compensation Fund, as the impact would be influenced by the occurrence of several factors. For example, request for a hardship hearing, the administrative law judge issuing an award for paying temporary benefits to an employee, the employer requesting a subsequent hearing, another award issued stating the employee is not entitled to excess benefits and the insurance company receiving tax credit for excess temporary benefits paid, are factors that affect the costs.

Officials also noted in reference to the tax credit, the insurance carrier would reflect this tax credit in its return filed with the Department of Insurance pursuant to Section 287.170, RSMo. This would affect the tax paid by the insurance companies, as the net premiums, net deposits or net assessment reported to the Division would be lower, after deducting tax credits. In FY 99, the Division of Workers' Compensation held approximately 102 hardship hearings statewide. The Division anticipates an increase in the number of hardship hearings set under Section 287.203, based upon this proposed legislation. Further, the parties would incur additional litigation costs based upon the need to proceed with a subsequent hearing. The cost of these additional hardship hearings and the need for additional adjudication staff cannot be estimated at this time. Therefore, the Division assumes unknown impact on the Workers' Compensation Fund. Based on these assumptions, **Oversight** assumes this impact is a negative impact to the Workers' Compensation Fund.

Officials from the **Department of Insurance** (INS) assume their department would require modifications to the premium tax database to track tax credits/refunds under the proposed legislation. One-time contract programming costs of \$30,400 would be required (impact to the Insurance Dedicated Fund). The revenue to the workers' compensation fund would also be reduced, but the amount is unknown.

### ASSUMPTION (continued)

Officials from the **Office of Attorney General** did not respond to our request for fiscal note.

**Oversight** assumes that based on the language in the proposal in reference to the Second Injury Fund that such fund could experience savings. Therefore, Oversight has reflected unknown savings to this fund.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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**INSURANCE DEDICATED FUND**

<u>Cost - Contract Programming</u>	<u>(\$30,400)</u>	<u>\$0</u>	<u>\$0</u>
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**ROAD FUND**

<u>Cost - Department of Transportation</u> Impact on self insurance plan	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**SECOND INJURY FUND**

Potential <u>Savings</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**WORKERS' COMPENSATION FUND**

<u>Cost - Department of Labor and Industrial Relations</u> Hearings, tax credits, etc.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses could be affected by the proposed legislation.

DESCRIPTION

AK:LR:OD (12/00)

This proposal allows interest to run 15 days after an award except as otherwise modified upon appeal. This proposal modifies the statute of limitations on second injury fund claims.

This proposal requires that employers file a medical report justifying any decision to deny benefits for temporary total disability. Payments shall continue to any employee who objects until the case is resolved. If the employee was ineligible for such payments, the employee will have to pay the employer or, if payments were made by an insurance carrier, the carrier will be eligible for tax credits.

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 Insurance  
Department of Labor and Industrial Relations  
Department of Transportation  
Office of Administration - Division of Budget and Planning  
Office of Administration - Division of General Services  
Office of State Treasurer

**NOT RESPONDING: Office of Attorney General**

A handwritten signature in black ink, appearing to read "Jeanne Jarrett", with a stylized, cursive script.

Jeanne Jarrett, CPA  
Director

March 13, 2001