

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5908-01
Bill No.: SB 829
Subject: Attorney General, State; Workers' Compensation
Type: Original
Date: March 26, 2012

Bill Summary: This proposal would modify certain provisions relating to the Second Injury Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Conservation Fund	(Unknown)	(Unknown)	(Unknown)
State Road Fund	(Unknown)	(Unknown)	(Unknown)
Workers Compensation Fund	(Unknown greater than \$6,000)	(Unknown greater than \$6,000)	(Unknown greater than \$6,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$6,000)	(Unknown greater than \$6,000)	(Unknown greater than \$6,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Transportation** (MODOT) assume this proposal would have some impact on their organization. The proposal would limit the filing of claims against the Second Injury Fund to those occurring prior to July 1, 2012. This could cause an increase in workers' compensation claims expenses on claims after that date but the amount of fiscal impact is unknown.

Officials from the **Office of the Attorney General** (AGO) stated that costs associated with AGO staff who defend the Second Injury Fund are paid from the Fund. The proposal provides for downsizing the staff in relation to remaining cases while ending new claims. Consequently, AGO assumes that any potential costs would be absorbed with existing resources.

Officials from the **Office of Administration, Division of General Services** assume this proposal would have the potential to increase the costs of the state's self-insured workers' compensation program (CARO) and would likely have some savings from reductions in the Second Injury Fund surcharges.

Officials from the **Department of Conservation** and the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact on their organizations.

Officials from the **University of Missouri** assume this proposal could result in savings to their organization less than \$100,000.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations** (DOLIR) assume this proposal would have an unknown fiscal impact to the Second Injury Fund (SIF).

The proposal would restrict the permanent disability benefits to cases where compensation has been awarded or which have been filed prior to July 1, 2012. At this time, it is not possible to determine the amount of award payments the fund would be liable for based on the changes in the bill. According to the department's Pinnacle Actuarial Resources, Inc. report, the outstanding liability to the Second Injury Fund is \$921 million.

DOLIR officials assume it would take much longer than three years to finish litigation for the approximately 29,159 pending cases.

In Section 287.220.2 the proposal would, beginning July 1, 2012, require the AGO to quarterly transmit the projected cost of all legal expenses to the Workers' Comp Division Director. The Director would then withhold sufficient funds to meet the quarterly legal expenses not to exceed one-fourth of the annual appropriation by the General Assembly. It is difficult to estimate the fiscal impact because it is unknown what future expenses would be incurred in cases which are pending against the SIF prior to July 1, 2012.

This proposal would provide for the payment of the second job wage loss benefits from the SIF for compensable work-related injury sustained "prior and filed prior to July 1, 2012." This could result in potential savings to the SIF but the amount is unknown.

Finally, the proposal would require an actuarial review of the Second Injury Fund every year rather than every three years. The last actuarial study cost \$6,000.

The Second Injury Fund surcharges will likely decrease which would result in some savings to the state's self insured workers' compensation program (CARO).

Oversight assumes the liabilities of the Second Injury Fund and the surcharge on workers' compensation programs would continue until outside the fiscal note period. Oversight also assumes any potential savings to the General Revenue Fund, Conservation Fund and State Road Fund resulting from the termination of the Second Injury Fund surcharge would not occur until outside the fiscal note period.

Oversight will also indicate an increase in workers' compensation costs for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost- increased workers compensation claims</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION FUND			
<u>Cost- increased workers compensation claims</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
STATE ROAD FUND			
<u>Cost- increased workers compensation claims</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
WORKERS COMPENSATION FUND			
<u>Cost - increased workers compensation claims</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Cost - actuarial study of SIF Fund</u>	<u>(Unknown greater than \$6,000)</u>	<u>(Unknown greater than \$6,000)</u>	<u>(Unknown greater than \$6,000)</u>
ESTIMATED NET EFFECT ON WORKERS COMPENSATION FUND	<u>(Unknown greater than \$6,000)</u>	<u>(Unknown greater than \$6,000)</u>	<u>(Unknown greater than \$6,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
<u>Cost - increased workers' compensation claims</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses.

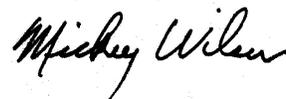
FISCAL DESCRIPTION

This proposal would modify certain provisions relating to the Second Injury Fund.

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 the Attorney General
Office of Administration
 Division of General Services
 Division of Budget and Planning
Department of Conservation
Department of Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations
Department of Transportation
University of Missouri



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Director

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