

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1877-01
Bill No.: HB 840
Subject: Employees - Employers; Labor and Industrial Relations Dept.; Workers' Compensation
Type: Original
Date: June 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various	\$0 to less than \$100,000	\$0 to less than \$100,000	\$0 to less than \$100,000
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to less than \$100,000	\$0 to less than \$100,000	\$0 to less than \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Departments of Conservation, Labor and Industrial Relations, Transportation** and the **Office of Administration - Division of Personnel** assume that the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Economic Development - Division of Workforce Development** assume that the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of Administration - Division of General Services, Risk Management**, state that the program currently has no history of a case as described by the proposed legislation. However, case law indicates such cases have been experienced by other employers and therefore this proposal has potential for cost savings to the workers' compensation industry.

In further conversation with **Office of Administration - Division of General Services, Risk Management (COA)** officials, **Oversight** learned that, based on the Department of Transportation's (DHT) history with regard to drug testing, approximately 6% of workers' compensation claims involve a drug test and less than 1% test positive. COA applied DHT's figures to claims paid out of the Central Accident Reporting (CARO) program for FY 2000. In FY 2000, there were 5,052 reported injuries with associated costs of approximately \$15.8 million, with an average cost per claim of \$3,125. Assuming 6% of claimants (316) were drug tested and 1% tested positive, the savings to the state, as a result of not paying benefits, would be \$7,969 (85% of three claims, totaling \$9,375). Using DHT's history, COA reported that based on FY 2000 statistics, 15 claimants were alcohol tested and no one tested positive. In the absence of a positive alcohol test, no savings can be assumed.

COA also reported that in the last few years, the existing provision to reduce workers' compensation benefits by 15% as a result of a positive drug and/or alcohol test had not been applied.

Oversight further inquired of **Conservation** and the **Highway Patrol** and found that neither agency had a report of a positive drug test in the last fiscal year. The average workers' compensation claim for the Highway Patrol and Conservation was \$3,948 and \$2,500 - \$6,000, respectively.

Oversight notes that the proposal does not mandate drug and alcohol testing after an accident and therefore assumes no costs would be associated as a result of the proposal. The potential for cost savings would depend on the number of positive drug and alcohol tests and the amount of
ASSUMPTION (continued)

any claim that would be denied resulting from a positive test. **Oversight** assumes any savings resulting from passage of this proposal, would be the difference between the 15% reduction and 100% reduction, per claim, and has ranged the amount from \$0 to less than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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VARIOUS STATE FUNDS

<u>Savings - Benefits Not Paid as a Result of a Positive Drug and/or Alcohol Test</u>	<u>\$0 to less than \$100,000</u>	<u>\$0 to less than \$100,000</u>	<u>\$0 to less than \$100,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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LOCAL GOVERNMENT

<u>Savings - Benefits Not Paid as a Result of a Positive Drug and/or Alcohol Test</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

Small businesses may recognize a savings in workers' compensation benefits as a result of passage of this proposal.

DESCRIPTION

Under current law, workers' compensation and death benefits are reduced 15% if the employee's injury was sustained in conjunction with the use of alcohol or drugs. This proposal eliminates benefits entirely if the employee's injury was sustained in conjunction with the use of alcohol or drugs.

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
General Services, Risk Management
Personnel

Department of Conservation

Department of Economic Development - Division of Workforce Development

Department of Labor and Industrial Relations

Department of Transportation

NOT RESPONDING

Office of the Attorney General



Jeanne Jarrett, CPA
Director

June 6, 2001