

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2007-08</b>		<b>FY 2008-09</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	0 - 4,649,268		0 - 4,649,268	
CASH FUNDS	0 - 1,842,163		0 - 1,842,163	
FEDERAL FUNDS	0 - 1,403,554		0 - 1,403,554	
OTHER FUNDS	0 - 877,219		0 - 877,219	
<b>TOTAL FUNDS</b>	<b>0 - 8,772,204</b>		<b>0 - 8,772,204</b>	

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill will provide workers' compensation benefits for permanent disfigurement or scarring.

STATE IMPACT: This bill could increase the state's workers compensation expenditures because it allows compensation for permanent disfigurement or scarring, which is currently not allowed.

The minimum cost to the state would be zero. This estimate assumes all claims would be paid as they currently are paid.

The increase in workers compensation expenditures is estimated in the following table that uses data from the Department of Administrative Services Risk Management Division (DAS):

1. Annual Claims	357
2. Workers' compensation benefit for state employees	\$ 461
3. If each claim receives 1 additional week of benefits (357 claims x \$461 workers' compensation benefit )	\$ 164,577
4. Maximum annual increase in expenditures for workers compensation claims	\$ 8,558,004
5. Administrative cost per claim	\$ 600
6. Annual increase in expenditures for workers compensation administrative costs	\$ 214,200
<b>TOTAL ANNUAL INCREASE IN EXPENDITURES FOR CLAIMS &amp; ADMINISTRATIVE COSTS</b>	<b>\$ 8,772,204</b>

The estimate in the above table is then allocated by fund source and displayed in the boxes at the top of this fiscal note. All fund sources would be impacted because DAS charges agencies an assessment to pay for workers compensation costs.

Please note that on the response of DAS they show the same amounts in the boxes at the top under both "EXPENDITURES" and "REVENUE". From the viewpoint of DAS, this is accurate since DAS charges all agencies a workers compensation assessment (revenue) that must cover anticipated workers compensation claims (expenditures). From the perspective of this fiscal note, it is only shown as expenditures since no additional revenue will be generated by this bill to pay for these estimated additional expenditures.

Notes to the above table, summarized from DAS:

1. Annual Claims. DAS notes that it is difficult to estimate the number of claims eligible for payment under this bill because the state does not ask for nor report on scarring or disfigurement. DAS reviewed the injury codes that are tracked that likely included some scarring either from the injury or from corrective surgery, such as amputation, burn, laceration, puncture, multiple physical injury, severance, etc. From 2000 through 2003 the state had an average of 357 claims per year.
2. The workers' compensation benefit is calculated as follows: \$35,990 average annual state employee salary, divided by 52 weeks in a year equals the state employee average weekly wage of \$692. The workers' compensation benefit is 66 2/3 percent of the average weekly wage, which is \$461. This amount is lower than the current maximum of \$617.

3. DAS states that in most cases there would be some award for the scar. If the court allowed a minimal award of one week for each of the estimated 357 claims, then it would cost \$164,577 (\$461 weekly benefit x 357 claims x 1 week).

4. The maximum annual fiscal impact to the state was calculated as follows:

\$461 workers' compensation benefit x 52 weeks per year x 357 average yearly claims = \$8,558,004.

Additionally, DAS states the following: The increased cost of each claim cannot be determined with certainty. First, all disfigurement/scars do alter personal appearance, but this is somewhat subjective and would need to be determined by the court. Second, it is extremely difficult to estimate the number of claims where scarring or disfigurement occurs that will impair earnings or usefulness as it would be difficult in many cases to know whether the impairment relates to the injury or the scar/disfigurement. Third, the bill leaves the amount due because of the scar/disfigurement to the discretion of the court, setting only a maximum.

5. The average administrative cost is estimated at \$600, which DAS states is 1/2 the current estimate of the cost of determining loss of earning capacity.

6. Increase in administrative costs is estimated at \$214,200 per year: 357 claims x \$600 average administrative costs per claim.

DAS also notes that litigation costs could increase.

The Workers Compensation Court (WCC) estimates no fiscal impact.

IMPACT ON POLITICAL SUBDIVISIONS: This bill could increase workers compensation expenditures of political subdivisions in a manner similar to the state impact noted above. This amount is not known at this time.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Rich Robinson	DATE	1/22/07	PHONE	471-2526
COMMENTS					
WORKERS' COMP COURT – No fiscal impact.					
DAS – No basis to disagree.					