

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 5, 2009**

**TO:** Honorable Joe Deshotel, Chair, House Committee on Business & Industry

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB4398** by Deshotel (Relating to workers' compensation supplemental income benefits.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4398, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>Interagency Contracts</i> 777	Probable (Cost) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue Gain from <i>Dept Ins Operating</i> <i>Acct</i> 36	Change in Number of State Employees from FY 2009
2010	(\$740,729)	(\$483,391)	\$483,391	5.0
2011	(\$1,481,458)	(\$420,501)	\$420,501	5.0
2012	(\$1,481,458)	(\$420,501)	\$420,501	5.0
2013	(\$1,481,458)	(\$420,501)	\$420,501	5.0
2014	(\$1,481,458)	(\$420,501)	\$420,501	5.0

**Fiscal Analysis**

The bill would amend the Labor Code to entitle an injured employee to supplemental income benefits if, on the expiration of impairment income benefits, the employee has an impairment rating of 10 percent. Currently, the qualifying impairment rating for supplemental income benefits is 15 percent.

The bill would only affect claims with an impairment rating assigned on or after September 1, 2009 and would take effect September 1, 2009.

## **Methodology**

The bill would cost the State Office of Risk Management (SORM) for the increase in injured employees that would qualify for supplemental income benefits. Based on the analysis by SORM, 22 percent of injured workers who have been certified with an impairment rating of 15 percent or greater receive supplemental income benefits with the average amount paid per claim of \$22,492. This cost analysis assumes that the same percentage of injured workers receiving impairment ratings between 10 percent and 14 percent will also receive supplemental income benefits at the same cost per claim. These costs are reflected in Interagency Contracts in the table above.

The bill would result in a cost to the Texas Department of Insurance (TDI) for 5 FTEs each year to oversee additional impairment rating disputes due to the provisions of the bill and to process an increase in supplemental income benefit applications received from injured employees. Based on analysis provided by TDI, it is assumed that the number of disputes will increase by approximately 2,700 from additional benefit review conferences and contested case hearings. Each fiscal year of 2010-2014, the 5 FTEs will cost \$311,388 in salary with associated benefits of \$88,963, travel costs of \$10,000 and telephone, consumables and other operating expenses of \$10,150. In fiscal year 2010, it is anticipated that the FTEs would require one-time equipment costs of \$30,690, additional travel costs of \$31,200, and additional other operating expenses of \$1,000 due to initial training. Since General Revenue Dedicated Account Fund 36 is a self-leveling account, this analysis assumes the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

The workers' compensation costs to the University of Texas System Administration, the Texas A&M University System Administration, and the Department of Transportation would increase due to the provisions of this bill, but it is assumed that any costs associated with the implementation of this bill could be absorbed within existing resources.

## **Technology**

The bill would have a technology impact of \$7,220 in fiscal year 2010 to TDI.

## **Local Government Impact**

The bill would amend the Labor Code lowering the impairment rating for an injured employee to qualify for supplemental income benefits from 15 percent to 10 percent. Local governmental entities that provide supplemental income benefits to employees could incur additional costs with the reduction to a 10 percent impairment rating. The fiscal impact to a local governmental entity could be significant, but would vary depending on the number of employees that would qualify for the lower impairment rating for supplemental income benefits as defined by the provisions of the bill.

**Source Agencies:** 454 Department of Insurance, 479 State Office of Risk Management, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** JOB, JRO, MW, CH