

March 1, 2021

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151D-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2307 by House Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2307 is respectfully submitted to your committee.

HB 2307 would amend the definition of “personal injury,” as it is used in the Workers Compensation Act, to include a mental injury, which the bill would define as a mental or behavioral disorder or a loss of mental faculties. A mental injury may arise out of a compensable physical injury; a sudden, severe emotional shock traceable to a specific work-related event; or a series of work-related events after which an employee develops a psychological injury. A mental injury would not be considered work-related if the mental injury solely resulted from any disciplinary action, work evaluation, job transfer, layoff, demotion, termination or any similar action taken in good faith by the employer.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$3,687,605
FTE Pos.	--	--	--	--

The Department of Administration estimates HB 2307 would require additional expenditures of \$3,687,605 from the State Self Insurance Fund in FY 2022. The estimate assumes costs for workers compensation claims would increase by 25.0 percent based on Department research. To calculate this estimate, the Department used the total amount spent on workers compensation claims in FY 2019, which was \$14,750,419. Information from FY 2019 was used

because FY 2020 data included variances related to COVID-19. The Department estimates expenditures from the State Self Insurance Fund would increase to \$3,787,169 in FY 2023.

The increase in State Self Insurance Fund expenditures would result in an increase in workers compensation assessment rates for state agencies. This would increase agency expenditures for employee benefits, which would be funded from a variety of funding sources including the State General Fund. However, the fiscal effect on state agencies cannot be determined because the rate increases that would occur under the bill are unknown.

The Kansas Insurance Department indicates the bill could increase benefit payments from the Workers Compensation Fund. However, the agency is unable to estimate the fiscal effect. The bill would have no fiscal effect on the Department of Labor. Any fiscal effect associated with HB 2307 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Jeff Scannell, Department of Administration