



Section 3 would amend KRS 360.010 to exempt from the legal interest rate of 8% those judgments identified in Section 1.

Section 4 of the bill would render its provisions applicable to all judgments entered by a court on or after the bill's effective date and Section 5 would render its provisions applicable to all worker's compensation orders entered or settlements approved on or after its effective date.

### **Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of HB 223 GA on local governments is indeterminable but would be positive.**

The impact of HB 223 GA on local governments would likely arise in their capacity as a litigant in a civil lawsuit for money damages, or as an obligor in a worker's compensation claim. If a city or county is the prevailing plaintiff in a case where money damages are awarded, it would recover less in pre-judgment and post-judgment interest under HB 223 GA. If it is the losing defendant, it would pay less in pre-judgment or post-judgment interest on an adverse judgment until it was paid in full. If a local government is a self-insured employer for workers' compensation purposes and pays its own claims, the provisions would reduce the amounts of past due workers' compensation benefits owed to an injured worker because any interest on those benefits would be calculated at a reduced interest rate. For example, if \$1,000 in past due benefits is owed, and they are one year behind in payment, interest would be \$120 under the current law and only \$60 under HB 223 GA.

If the local government purchases workers' compensation insurance through an insurance carrier or self-insurance group, the provision may result in an indirect cost savings as the reduction in interest rates could lead to lower exposure and, ultimately, lower worker's compensation insurance rates. There could be direct cost savings if the local government has a high deductible policy and is responsible for payments until its worker's comp insurance policy kicks in.

Lowering interest rates lowers the amount paid on claims with past due amounts.

**Data Sources:** LRC staff

**Preparer:** Mary Stephens      **Reviewer:** KHC      **Date:** 2/27/17