Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2017 Regular Session

Part I: Measure Information

Bill Request #: 890							
Bill #: HB 223 GA							
Bill Subject/Title: AN ACT relating to interest							
Sponsor: Representative Joseph Fischer							
Unit of Government:		xCountyxConsolidated Local	x Unified Local				
Office(s) Impacted: Any office that is a plaintiff or defendant in a lawsuit for money damages or is a worker's compensation benefits obligor							
Requirement: <u>x</u> M	Iandatory Optic	onal					
Effect on Powers & Duties: <u>x</u>	Modifies Existing	Adds New Eli	minates Existing				

Part II: Purpose and Mechanics

The purpose of HB 223 GA is to reduce generally the interest payable on a judgment for money and on workers compensation benefits payable.

Section 1 of the bill would amend KRS 360.040 to reduce from 12% to 6% the interest due on a judgment, including one for prejudgment interest, with three (3) exceptions: 1) interest on a judgment for unpaid child support would be 12%, 2) a judgment on a written obligation (contract, promissory note) would bear interest at the rate established in the writing, and 3) a judgment for unliquidated damages may bear interest at less than six (6) per cent on order of the judge following a hearing. Section 1 would also clarify that interest compounds annually from the date the judgment is entered.

Section 2 of the bill would amend KRS 342.040 to reduce the interest payable on unpaid workers' compensation income benefits from 12% to 6%, and reduce from 18% to 12% the maximum interest a judge could award for income benefits denied, delayed or terminated without reasonable foundation.

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-judgement 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 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
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