

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3151H.01I
 Bill No.: HB 1964
 Subject: Civil Procedure; Courts; Contracts and Contractors
 Type: Original
 Date: February 6, 2024

Bill Summary: This proposal modifies the statute of limitations for personal injury claims from five years to two years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue (appropriation reduction to LEF for cost avoidance)	\$0	\$0	\$0 to Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0 to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Other State Funds	\$0	\$0	\$0 to Unknown
Legal Expense Fund*	\$0	\$0	\$0
Tort Victims' Compensation Fund	\$0	\$0	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

The potential fiscal impact above represents the potential reduction in exposure to liability claims. Oversight assumes the cost avoidance could possibly reach \$250,000 in FY 2027.

*Indicates numbers that net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

§§516.120 & 516.140 – Statutes of Limitations

Officials from the **Office of Administration** assume subsections 3 & 4 of §516.140 changes the statute of limitation for personal injury claims from five years to two years. This has the potential to avoid costs to the State Legal Expense Fund (LEF) for actions alleging personal injury, due to the much shorter proposed limitations period applicable to such actions.

Oversight notes the state self-assumes its own liability under the state LEF, Section 105.711, RSMo. It is a self-funding mechanism whereby funds are made available for the payment of any claim or judgment rendered against the state in regard to the waivers of sovereign immunity or against employees and specified and individuals. Investigation, defense, negotiation or settlement of such claims is provided by the Office of the Attorney General. Payment is made by the Commissioner of Administration with the approval of the Attorney General.

Officials from the **Attorney General's Office (AGO)**, the **Department of Commerce and Insurance**, the **Department of Revenue** and the **Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes the following information regarding the Statute of Limitations on Personal Injury Lawsuits by State:

<u>STATUTE OF LIMITATIONS ON PERSONAL INJURY LAWSUITS BY STATE</u>					
<u>1 year</u>	<u>2 year</u>	<u>3 year</u>	<u>4 year</u>	<u>5 year</u>	<u>6 year</u>
Kentucky	Alabama	Arkansas	Nebraska	Missouri	Maine
Louisiana	Alaska	DC	Utah		North Dakota
Tennessee	Arizona	Maryland	Wyoming		
	California	Massachusetts			
	Colorado	Michigan			
	Connecticut	Mississippi			
	Delaware	Montana			
	Florida	New Hampshire			
	Georgia	New Mexico			
	Hawaii	New York			
	Idaho	North Carolina			
	Illinois	Rhode Island			
	Indiana	South Carolina			
	Iowa	South Dakota			
	Kansas	Vermont			
	Minnesota	Washington			
	Nevada	Wisconsin			
	New Jersey				
	Ohio				
	Oklahoma				
	Oregon				
	Pennsylvania				
	Texas				
	Virginia				
	West Virginia				
Source: https://1800lionlaw.com/personal-injury-statute-of-limitations-by-state/					
*Colorado is 3 years for car accidents & Kentucky is 2 years for car accidents					

The **Department of Labor and Industrial Relations’** website says “The Tort Victims’ Compensation Fund exists to help compensate those who have been injured due to the negligence or recklessness of another (such as in a motor vehicle collision or a hunting accident), and who have been unable to obtain full compensation because the party at fault (the tortfeasor) had no insurance, or inadequate insurance, or has filed for bankruptcy, or for other reasons specified by the law.”

Tort Victims Compensation Fund (TVCF) - \$0 to (unknown)

Oversight notes that under §537.675.3, 50% of the punitive damage state judgments, after deducting attorney's fees and expenses, shall go into the Tort Victims' Compensation Fund (0622). Because this proposal tends to reduce punitive damages awards by reducing the time frame to file suit, Oversight assumes a negative direct fiscal impact to the Tort Victims Compensation Fund.

Oversight notes the following information from the Fund Activity Report from the State Treasurer's Office regarding the activity of the Tort Victims Compensation Fund:

<u>TORT VICTIMS COMPENSATION FUND (0622)</u>		
	<u>Receipts</u>	<u>Expenditures</u>
FY17	\$ 490,737	\$ 492,366
FY18	\$ 8,646,386	\$ 351,559
FY19	\$ 549,781	\$ 8,187,611
FY20	\$ 10,210,475	\$ 1,254,331
FY21*	\$ 484,962,509	\$ 10,268,153
FY22	\$ 500,401	\$ 125,236,329
FY23	\$ 1,251,859	\$ 86,423,521
FY24(thru Dec 2023)	\$ 3,156	\$ 143,211,421
TOTAL	\$ 506,615,305	\$ 375,425,291
Source: State Treasurer's Fund Activity Report		
*Includes receipt of \$482,374,994 from Johnson & Johnson from FY21 (Largest ever Received)		

Oversight also notes that according to the Department of Labor and Industrial Relations' website, the chart below shows the payout amounts for years 2015 through 2019 with an average payout amount of \$2,451,600 annually from the Tort Victims Compensation Fund (TVCF).

History of Payments from the Tort Victims Compensation Fund

Tort Victims Compensation Fund Payout from 2015-2019

Year	2015	2016	2017	2018	2019
\$ Amount	\$1.889M	\$1.792M	\$881K	\$2.999M	\$4.697M

Oversight notes the above payments were for claims within those years and not necessarily paid out in those years. **Oversight** does not know how many cases affected by this proposal would not be brought because of the change in the statute of limitations.

The AGO does not track the types of claims paying into the TVCF, so this number is likely an overestimate, as it includes claims not affected by this proposal. Because **Oversight** was unable to get more specific information about the number of claims filed between two and five years after the claim arose, Oversight will show a \$0 to (unknown) to the TVCF.

Legal Expense Fund (LEF) - \$0 to unknown

The State Legal Expense Fund (LEF) is used for payments in resolution of judgments or claims for damages from injured parties arising out of the actions of state employees, agencies, contracted physicians, and the condition of state property.” *Audit Report No. 2017-098*

Information from the Office of Administration (OARM) shows that the LEF spent \$32,833,798 on personal injury and wrongful death claims in FY 2016-2023. The annual average of those claims is \$4,104,225. In addition, 20% of the LEF’s funds comes from other state funds, implying \$0 up to \$4,104,225 annually reduced LEF expenditures, with \$3,283,380 through General Revenue appropriations, and \$820,845 from other funds.

Oversight notes that these numbers are likely an overestimate, as it includes claims that could be brought within two years. Because **Oversight** was unable to get more specific information about the number of claims filed between two and five years after the claim arose, Oversight will show a \$0 to unknown net direct fiscal impact.

Oversight notes in §516.140 (3) and (4) that this legislation is for actions that accrue on or after August 28, 2024. The actions for personal injury or bodily injury or actions relating to uninsured/underinsured motorist coverage must be brought within two years from the date of injury. So if an injury occurred on August 28, 2024, this proposal would require the action to be brought no later than August 28, 2026. Therefore, it is possible any cost savings would not be realized until FY 2027. Therefore, Oversight will reflect this in FY 2027.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Cost Savings</u> – potential reduction on pay outs of personal injury damages from LEF §§516.120 & 516.140	\$0	\$0	\$0 to Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0 to Unknown</u>
OTHER STATE FUNDS			
<u>Cost Savings</u> – Potential reduction in payments to Legal Expense Fund §§516.120 & 516.140	\$0	\$0	\$0 to Unknown
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0 to Unknown</u>
LEGAL EXPENSE FUND (0692)			
<u>Cost Avoidance</u> – potential reduction on payouts of injury damages from LEF §§516.120 & 516.140	\$0	\$0	\$0 to Unknown
<u>Transfer In</u> – Reduction in appropriation from GR §§516.120 & 516.140	\$0	\$0	\$0 to (Unknown)
<u>Transfer In</u> – Reduction in transfers from other state funds §§516.120 & 516.140	\$0	\$0	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LEGAL EXPENSE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
TORT VICTIMS COMPENSATION FUND			
<u>Loss</u> – Various State Agencies - potential reduction from payouts of punitive damages to TVCF §§516.120 & 516.140	<u>\$0</u>	<u>\$0</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON TORT VICTIMS’ COMPENSATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost Savings</u> – Potential reduction in injury damages paid §§516.120 & 516.140	<u>\$0</u>	<u>\$0</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT – Small Business

Small businesses could be either positively (defendant) or negatively (plaintiff) as a result of this proposal.

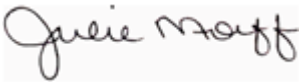
FISCAL DESCRIPTION

Currently, actions for personal injury or bodily injury or relating to uninsured motorist coverage or underinsured motorist coverage must be brought within five years from the date the injury occurred. This bill reduces the time frame to two years from when the injury occurred.

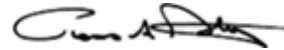
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Attorney General's Office
Department of Commerce and Insurance
Department of Revenue
Office of the State Courts Administrator



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February 6, 2024



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Assistant Director
February 6, 2024