

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	CSHB 79(FIN)
Fiscal Note Number:	7
(H) Publish Date:	2/21/2018

Identifier: HB79CS(JUD)-DOLWD-SIF-02-14-18  
Title: OMNIBUS WORKERS' COMPENSATION  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: (H) Finance

Department: Department of Labor and Workforce Development  
Appropriation: Workers' Compensation  
Allocation: Second Injury Fund  
OMB Component Number: 2342

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
			FY 2019	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>(400.0)</b>	<b>(800.0)</b>	<b>(1,200.0)</b>	<b>(1,600.0)</b>	<b>(2,000.0)</b>

## Fund Source (Operating Only)

1031 Sec Injury (DGF)			(400.0)	(800.0)	(1,200.0)	(1,600.0)	(2,000.0)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>(400.0)</b>	<b>(800.0)</b>	<b>(1,200.0)</b>	<b>(1,600.0)</b>	<b>(2,000.0)</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

1031 Sec Injury (DGF)			(400.0)	(800.0)	(1,200.0)	(1,600.0)	(2,000.0)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>(400.0)</b>	<b>(800.0)</b>	<b>(1,200.0)</b>	<b>(1,600.0)</b>	<b>(2,000.0)</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version/comments:

This is an updated version to clarify the change in revenues in the analysis section.

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Approved By: Greg Cashen, Acting Commissioner  
Agency: Department of Labor and Workforce Development

Phone: (907)465-6060  
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**REPORTED OUT OF  
HFC 02/20/2018**  
Control Code: JYDKo

## FISCAL NOTE ANALYSIS

**STATE OF ALASKA  
2018 LEGISLATIVE SESSION****Analysis**

This legislation will sunset the Second Injury Fund (AS 23.30.040). Future claim payments will only be made on those claims accepted by the effective date. There will be no reduction in the near future in the staffing required to process these claim payments because it will likely take decades for the Fund to pay these ongoing claim obligations. Ninety-five percent of these claims are categorized as permanent total disability (PTD) benefits. PTD benefits are paid until disability ends or until death.

The reduced Fund liability reflected in this fiscal note assumes the average age of the claimant at closure would be 80 years old and two to three cases would be closed per year due to the death of the claimants. The reduced revenue reflected in this fiscal note is because employer and insurance carrier contribution rates will decline over time as the Fund's liability is exhausted as prescribed in statute.

Revenue to the Second Injury Fund (SIF) comes from an annual assessment on Workers' Compensation insurance providers and self-insured employers through a contribution rate that changes every year based on statute designed to ensure sufficient revenue to cover expenses. Insurance companies are able to pass this assessment on to employers through premiums. As SIF claims decline costs to insurance providers and self-insured employers will decline, including the State of Alaska through the Department of Administration's Risk Management division.

In FY2017, the State of Alaska comprised 11.5 percent of total SIF revenue (\$343,150 of \$2,984,507). The State of Alaska could save as much as \$46,000 if it represented 11.5 percent of the projected total savings of \$400,000 starting FY2020, and this savings would grow incrementally in the following years. This cost savings will be passed on to all state agencies through decreased personal services benefit costs, and included in future year budget salary and benefit adjustments.