

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 79(FIN)
Fiscal Note Number:	8
(H) Publish Date:	2/21/2018

Identifier: HB079CS(FIN)-DOLWD-WC-02-16-18
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: Workers' Compensation
OMB Component Number: 344

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				
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services			(59.8)	(59.8)	(59.8)	(59.8)	(59.8)
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	(59.8)	(59.8)	(59.8)	(59.8)	(59.8)

Fund Source (Operating Only)

1157 Wrkrs Safe (DGF)			(59.8)	(59.8)	(59.8)	(59.8)	(59.8)
Total	0.0	0.0	(59.8)	(59.8)	(59.8)	(59.8)	(59.8)

Positions

Full-time			(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	(1,805.8)		(1,805.8)	(1,805.8)	(1,805.8)	(1,805.8)	(1,805.8)
1157 Wrkrs Safe (DGF)	1,805.8		1,805.8	1,805.8	1,805.8	1,805.8	1,805.8
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/19

Why this fiscal note differs from previous version/comments:

This is an updated version to clarify the change in revenues in the analysis section and attach related tables.

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

Phone: (907)465-6060
Date: 02/16/2018 01:00 PM
Date: 02/16/18

**REPORTED OUT OF
HFC 02/20/2018**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

This legislation makes a number of changes to the Workers' Compensation Act. One of these changes allows the division to mandate electronic filing of documents. Once all employers have converted to electronic filing, which is anticipated to occur by FY2020, the department will be able to eliminate one position that currently supports paper filings.

Additionally, this legislation would increase the percent of fees deposited into the Workers' Safety and Compensation Administrative Account (WSCAA). Under AS 21.09.210, the Division of Insurance collects a 2.7 percent tax from insurers on their annual Workers' Compensation premiums. Per AS 23.05.067, 1.82 percent is deposited into WSCAA and the remaining 0.88 percent is currently deposited into the Alaska comprehensive health insurance (ACHI) fund. Based on 2017 Workers' Compensation premiums totaling \$265,563,529, this equates to \$4,833,256 to WSCAA and \$2,336,959 to ACHI. In FY2019, the 0.88 percent will revert to the general fund.

This legislation would increase the amount deposited into WSCAA to 2.5 percent and decrease the amount deposited into the general fund to 0.20 percent. Again, based on 2017 premiums, this equates to \$6,639,088 to WSCAA and \$531,127 to the general fund; this represents a change of \$1,805,832 annually. This additional revenue is needed in WSCAA to cover the budgeted expenditures against the account and avoid a shortfall. The following two tables show the discrepancy between WSCAA budgeted expenditures and annual revenue leading to an account shortfall by FY2020. They also show that both HB 69 and HB 79 are required to bring WSCAA budgeted expenditures and annual revenue into alignment.

Department of Labor and Workforce Development

Workers' Safety and Compensation Administration Account (WSCAA)

Fund Balance FY09 to FY23

Updated February 16, 2018

IRIS fund: 1157

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	MP	Gov				
Available Balance	18,733.5	18,394.6	16,421.1	14,028.3	13,345.6	13,412.1	13,735.1	13,678.0	12,706.4	12,279.5	10,128.8	7,984.5	6,973.6	6,973.6	6,973.6
Carryforward	11,752.2	11,352.4	10,286.4	7,174.3	5,505.9	5,705.3	6,397.7	6,474.6	5,732.8	5,305.9	3,155.2	1,010.9	0.0	0.0	0.0
Revenue	6,981.3	7,042.2	6,134.7	6,854.0	7,839.7	7,706.8	7,337.4	7,203.4	6,973.6	6,973.6	6,973.6	6,973.6	6,973.6	6,973.6	6,973.6
Operating Appropriations	7,381.1	8,082.9	8,534.6	7,948.0	6,371.8	6,860.3	6,952.9	7,930.0	7,367.4	9,124.3	9,117.9	9,117.9	9,117.9	9,117.9	9,117.9
Labor Market Information	109.8	112.0	110.8	126.1	112.5	112.3	110.9	108.1	87.1	127.3	121.5	121.5	121.5	121.5	121.5
Workers' Compensation (WC)	4,580.3	4,836.3	4,982.3	5,218.3	5,229.4	5,602.7	5,563.5	5,522.9	5,360.4	5,653.0	5,671.0	5,671.0	5,671.0	5,671.0	5,671.0
WC Appeals Commission	479.6	530.0	484.2	401.1	452.9	402.0	332.6	377.4	251.1	443.3	421.6	421.6	421.6	421.6	421.6
Occupational Safety and Health	2,211.4	2,604.6	2,957.3	2,202.5	577.0	743.3	945.9	1,921.6	1,668.8	2,900.7	2,903.8	2,903.8	2,903.8	2,903.8	2,903.8
Capital Appropriations	0.0	25.3	712.2	574.4	1,268.5	154.1	307.6	15.2	33.1	0.0	0.0	0.0	0.0	0.0	0.0
WC System Rewrite	0.0	25.3	712.2	574.4	1,268.5	154.1	307.6	15.2	33.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Appropriations	7,381.1	8,108.2	9,246.8	8,522.4	7,640.3	7,014.4	7,260.5	7,945.2	7,400.5	9,124.3	9,117.9	9,117.9	9,117.9	9,117.9	9,117.9
Balance to carry forward	11,352.4	10,286.4	7,174.3	5,505.9	5,705.3	6,397.7	6,474.6	5,732.8	5,305.9	3,155.2	1,010.9	(1,133.4)	(2,144.3)	(2,144.3)	(2,144.3)
												Overspent	Overspent	Overspent	Overspent
Revenue less Appropriations (negative indicates unsustainable spending)	(399.8)	(1,066.0)	(3,112.1)	(1,668.4)	199.4	692.4	76.9	(741.8)	(426.9)	(2,150.7)	(2,144.3)	(2,144.3)	(2,144.3)	(2,144.3)	(2,144.3)

Notes:

Insurer Revenue: The Division of Insurance collects a 2.7% tax from insurers on their annual Workers' Compensation premiums. Of this, 1.82% is deposited into the Workers' Compensation Administration Account (WSCAA) fund and the remaining 0.88% is deposited into the Unrestricted General Fund (UGF).

Self-Insurer Revenue: The Workers' Compensation Division collects a 2.9% Service Fee of all payments reported to the Division; the revenue from this fee is deposited into the WSCAA fund.

Department of Labor and Workforce Development

Workers' Safety and Compensation Account Balance Scenarios

Updated February 16, 2018

	FY19 Governor's Budget	FY19 Governor's w/Appeals Commission Repeal (HB 69)	FY19 Governor's w/WC Efficiencies Bill (HB 79)	FY19 Governor's w/HB 69 and HB 79
FY18 Beginning Balance	\$ 5,305.9	\$ 5,305.9	\$ 5,305.9	\$ 5,305.9
FY18 Revenue	\$ 6,973.6	\$ 6,973.6	\$ 6,973.6	\$ 6,973.6
FY18 Expense	\$ 9,124.3	\$ 9,124.3	\$ 9,124.3	\$ 9,124.3
FY19 Beginning Balance	\$ 3,155.2	\$ 3,155.2	\$ 3,155.2	\$ 3,155.2
FY19 Revenue	\$ 6,973.6	\$ 6,973.6	\$ 8,779.4	\$ 8,779.4
FY19 Expense	\$ 9,117.9	\$ 8,907.1	\$ 9,117.9	\$ 8,907.1
FY20 Beginning Balance	\$ 1,010.9	\$ 1,221.7	\$ 2,816.7	\$ 3,027.5
FY20 Revenue	\$ 6,973.6	\$ 6,973.6	\$ 8,779.4	\$ 8,779.4
FY20 Expense	\$ 9,117.9	\$ 8,696.3	\$ 9,058.1	\$ 8,636.5
FY21 Beginning Balance	\$ (1,133.4)	\$ (501.0)	\$ 2,538.0	\$ 3,170.4
FY21 Revenue	\$ 6,973.6	\$ 6,973.6	\$ 8,779.4	\$ 8,779.4
FY21 Expense	\$ 9,117.9	\$ 8,696.3	\$ 9,058.1	\$ 8,636.5
FY22 Beginning Balance	\$ (3,277.7)	\$ (2,223.7)	\$ 2,259.3	\$ 3,313.3
FY22 Revenue	\$ 6,973.6		\$ 8,779.4	\$ 8,779.4
FY22 Expense	\$ 9,117.9		\$ 9,058.1	\$ 8,636.5
FY23 Beginning Balance	\$ (5,422.0)		\$ 1,980.6	\$ 3,456.2

Assumptions:

- 1) WSCAA revenue without any legislative changes is based on FY17 actual revenue.
- 2) HB 69 would result in a savings of \$210.8 in FY19, and \$421.6 FY20 and beyond.
- 3) HB 79 would result in additional revenue to WSCAA of \$1,805.8 in FY19 and beyond.
- 4) HB 79 would result in a savings of \$59.8 in FY20 and beyond.