

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 114
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB114-DOA-DRM-03-20-15
Title: WORKERS' COMPENSATION: DEATH BENEFITS
Sponsor: JOSEPHSON
Requester: House Labor and Commerce

Department: Department of Administration
Appropriation: Risk Management
Allocation: Risk Management
OMB Component Number: 71

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel							
Services	291,632.0		583,265.0	583,265.0	583,265.0	583,265.0	583,265.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	291,632.0	0.0	583,265.0	583,265.0	583,265.0	583,265.0	583,265.0

Fund Source (Operating Only)

1007 I/A Rcpts	291,632.0		583,265.0	583,265.0	583,265.0	583,265.0	583,265.0
Total	291,632.0	0.0	583,265.0	583,265.0	583,265.0	583,265.0	583,265.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) 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If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Not applicable, initial version

Prepared By: <u>Scott Jordan, Risk Management</u>	Phone: <u>(907)465-5724</u>
Division: <u>Risk Management</u>	Date: <u>03/20/2015 09:00 AM</u>
Approved By: <u>Sheldon Fisher, Commissioner</u>	Date: <u>03/20/15</u>
Agency: <u>Department of Administration</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 114

Analysis

Risk Management (RM) would be financially impacted by this proposed legislation.

Currently under the Alaska Worker's Compensation Act, AS 23.30.190 (a), the whole body rating is \$177,000. This bill would increase this rating to \$255,854. RM's five year average of whole body Permanent Partial Impairment (PPI) rating payouts to injured employees is \$1,200,000. The change in the whole body rating would amount to a 44% increase which would translate to an average annual payout of \$559,680 based on a PPI payout of \$528,000 with \$31,680 in second injury fees.

This bill also adds a provision to increase the whole body rating annually based on the Consumer Price Index for Anchorage. Based on the last five years of CPI data, we used an estimated 2% annual increase. Link to Department of Labor, Research and Analysis section data:<http://laborstats.alaska.gov/cpi/cpi.htm>. However, no costs were added to fiscal note for CPI. Trends in cost of living seem to be entering a deflationary period so the impact of CPI is unknown.

This bill would also amend AS 23.30.215 to add section (a)(6) to provide a PPI benefit in a death case where the deceased employee has no dependents, by providing a one-time lump sum payment equal to 50% of the whole body PPI of \$255,854, which would amount to a benefit of \$127,927 to the estate of the decedent. Currently, the death benefit to an employee with no dependents is limited to funeral expenses not to exceed \$10,000 under AS 23.30.215(a)(1). This bill would increase the death benefit in this circumstance from \$10,000 to \$127,927, or an increase of \$117,927. In the last five years, only one state employee suffered a work related death and had no dependents. If future experience follows past history, This bill could result in a yearly average increase of \$23,585.40.

The potential cost increase for this bill as noted would impact the costs for workers compensation as charged out to our customer agencies via the annual cost allocation method. Traditionally, the Department of Transportation, Department of Corrections, and Department of Health & Social Services experiences the highest workers compensation costs while the Department of Public Safety experience the most on the job fatalities.