

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version: HB 38  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB038-DOA-DRM-02-23-17

Department: Department of Administration

Title: WORKERS' COMPENSATION: DEATH BENEFITS

Appropriation: Risk Management

Sponsor: JOSEPHSON

Allocation: Risk Management

Requester: House Labor & Commerce

OMB Component Number: 71

## Expenditures/Revenues

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

(Thousands of Dollars)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services							
Travel							
Services	273.0		546.1	546.1	546.1	546.1	546.1
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>273.0</b>	<b>0.0</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>

## Fund Source (Operating Only)

1007 I/A Rcpts (Other)	273.0		546.1	546.1	546.1	546.1	546.1
<b>Total</b>	<b>273.0</b>	<b>0.0</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>	<b>546.1</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2017) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2018) 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If yes, by what date are the regulations to be adopted, amended or repealed?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:

Not applicable, initial version.

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Agency: Department of Administration

Phone: (907)465-5724  
Date: 02/23/2017 10:50 AM  
Date: 02/23/17

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

BILL NO. HB 38

### Analysis

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

DRM is funded by inter-agency receipts, based on a shared cost allocation plan. Any increases to DRM's operating costs would be passed on via cost allocation to our customer agencies who participate in the state's self-insurance program.

Under current provisions of the Alaska Worker's Compensation Act, AS 23.30.190 (a), the "whole body rating" is \$177,000. This bill would increase this rating by 44.55% to \$255,854. DRM's eighteen-year average of whole body Permanent Partial Impairment (PPI) rating payouts to injured employees is \$1,156,372 per year. The 44.55% would increase the average annual payout by \$515,164. Based on the \$515,164, we anticipate additional payout in second injury fund fees of \$30,910.

This bill adds a provision to increase the "whole body rating" annually based on the Consumer Price Index (CPI) for Anchorage. Based on the last five years of CPI data, we used an estimated 2% annual increase. However, no costs were added to the 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 amends 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, a total 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.

This bill amends AS 23.30.215 to provide an additional 5 years of benefits to minor child(ren), as defined in AS 23.3.395(8) who have no surviving parent. However, the bill does not provide for additional benefits for child(ren) with a surviving parent.

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, Department of Transportation, Department of Corrections, and Department of Health & Social Services experience the highest workers' compensation costs. However, the Department of Public Safety unfortunately experiences the most on the job fatalities.