



ALASKA STATE LEGISLATURE

SENATE LABOR & COMMERCE COMMITTEE

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SB 183 Workers' Comp Benefits Guaranty Fund Ver. A Sponsor Statement

Senate Bill 183, "An Act relating to the workers' compensation benefits guaranty fund; and providing for an effective date," would better ensure timely payment of workers' compensation claims benefits by making the Workers' Compensation Benefits Guarantee Fund (Fund) no longer subject to the sweep provision in Article IX, Section 17 of the Alaska Constitution. In recent years, some of the injured employees filing claims with the Fund have been forced to wait as long as six months to receive benefits as the formerly healthy fund has been made periodically insolvent by annual Constitutional sweeps.

Under the Alaska Workers' Compensation Act, employers of one or more employees are required to have workers' compensation insurance to cover medical costs, lost wages, and other benefits due to employees with valid on-the-job injuries. When employers choose not to carry this insurance and fail to pay for employee claims, it puts an injured employee in a painful financial position on top of the impact of the injury itself.

In 2005, the Legislature created the Alaska Workers' Compensation Benefits Guaranty Fund to pay the benefits due employees under the Alaska Workers' Compensation Act when their employer is uninsured and fails to pay their claim. The Fund is seeded with civil penalties assessed against uninsured employers and any reimbursements the State is able to recover from employers for claims paid from the Fund.

The timing of inflowing revenues and outflowing payments may not align, sometimes leaving the Fund empty when benefit claims are submitted. Through careful management, the Fund had been built to a sufficient balance prior to FY21 such that it was able to make timely payments to injured employees. Unfortunately, this many-year effort was nullified when the FY21 sweep took \$3.1 million from the Fund's balance. Supplemental Budget requests in FY22 and FY23 have filled the gap with General Funds, but this is a slow-moving process leading to long wait times for some claimants.

While the Constitutional sweep provision is intended to help maintain Alaska's long term fiscal stability, including the Workers' Compensation Benefits Guarantee Fund in the sweep can have significant impacts to the intended beneficiaries of the Fund while providing minimal benefit for the State's savings account.