

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 5  
 Bill Version: HB 403  
 (H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An Act relating to AK Guaranty Assoc. BRU Risk Management  
and new fee assessments Component Risk Management  
 Sponsor \_\_\_\_\_  
 Requester \_\_\_\_\_ Component No. 71

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2005      | FY 2006      | FY 2007      | FY 2008      | FY 2009      | FY 2010      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services      |              |              |              |              |              |              |
| Travel                 |              |              |              |              |              |              |
| Contractual            | 372.9        | 439.9        | 519.0        | 612.4        | 722.5        | 852.4        |
| Supplies               |              |              |              |              |              |              |
| Equipment              |              |              |              |              |              |              |
| Land & Structures      |              |              |              |              |              |              |
| Grants & Claims        |              |              |              |              |              |              |
| Miscellaneous          |              |              |              |              |              |              |
| <b>TOTAL OPERATING</b> | <b>372.9</b> | <b>439.9</b> | <b>519.0</b> | <b>612.4</b> | <b>722.5</b> | <b>852.4</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|   |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts                   |              |              |              |              |              |              |
| 1003 GF Match                           |              |              |              |              |              |              |
| 1004 GF                                 |              |              |              |              |              |              |
| 1007 I/A Receipts                       | 372.9        | 439.9        | 519.0        | 612.4        | 722.5        | 852.4        |
| 1037 GF/Mental Health                   |              |              |              |              |              |              |
| Other (Specify Type--Do not abbreviate) |              |              |              |              |              |              |
| <b>TOTAL</b>                            | <b>372.9</b> | <b>439.9</b> | <b>519.0</b> | <b>612.4</b> | <b>722.5</b> | <b>852.4</b> |

Estimate of any current year (FY2004) cost: 316.1

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

This legislation creates an increased cost to Risk Management operating expenses as it requires an assessment fee for all self insured employers. The bill includes an immediate effective date, therefore it is assumed that an assessment will be applied in FY2004 for calendar 2003 payments reported 3/1/2004.

Applying the 2% rate to the projected workers' compensation claims experience is projected, although future loss experience will determine actual costs incurred.

As Risk Management is funded solely through inter-agency receipts, this additional expense will require increased cost of risk allocations (premium assessments) to all state agency operating budgets.

Prepared by: J. Brad Thompson, Director Phone \_\_\_\_\_  
 Division: Risk Management Date/Time 1/23/04 7:17 AM  
 Approved by: Mike Miller, Commissioner Date 1/23/2004  
 Agency: Administration

| Calendar Year annual report      | Total W/C benefits paid (excluding Second Injury Fund - SIF) | % Increase | Estimated Assessment Owed |
|----------------------------------|--|------------|---------------------------|
| CY2000                           | \$9,625,032  |            |                           |
| CY2001                           | \$11,165,023   | 16.00%     |                           |
| CY2002                           | \$13,166,038   | 17.92%     |                           |
| CY2003 (11 mo. Exp. Proj. 12 mo) | \$15,802,514   | 20.02%     | \$316,050                 |
|                                  | 3 year average increase                                      | 17.98%     |                           |

|        | Estimated Future W/C Benefits to be Paid w/avg. % increase |           |
|--------|--|-----------|
| CY2004 | \$18,644,167   | \$372,883 |
| CY2005 | \$21,996,814   | \$439,936 |
| CY2006 | \$25,952,343   | \$519,047 |
| CY2007 | \$30,619,167   | \$612,383 |
| CY2008 | \$36,125,193   | \$722,504 |
| CY2009 | \$42,621,328   | \$852,427 |