

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSSB 311(JUD)
 (S) Publish Date: 4/26/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Insurance & Workers' Compensation System RDU: Workers' Compensation
 Component: Workers' Compensation
 Sponsor: Senate Rules Appeals Commission (new)
 Requester: Senate JUD Component Number: new#

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	380.1	380.1	380.1	380.1	380.1	380.1
Travel	39.8	39.8	39.8	39.8	39.8	39.8
Contractual	168.4	119.6	119.6	119.6	119.6	119.6
Supplies	27.1	14.4	14.4	14.4	14.4	14.4
Equipment	11.6					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	627.0	553.9	553.9	553.9	553.9	553.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1157)	18.0	18.0	18.0	18.0	18.0	18.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1157 Workers Safety Account	627.0	553.9	553.9	553.9	553.9	553.9
TOTAL	627.0	553.9	553.9	553.9	553.9	553.9

Estimate of any current year (FY2004) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	4	4	4	4	4	4
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Paul Lisankie, Director Phone 465-2790
 Division: Workers' Compensation Division Date/Time 4/20/04 3:38 PM
 Approved by: Greg O'Claray, Commissioner Date 4/20/2004
 Agency: Department of Labor and Workforce Development

FISCAL NOTE #6

**STATE OF ALASKA
2004 LEGISLATIVE SESSION**

BILL VERSION: CSSB 311(JUD)

ANALYSIS: (continued)

This legislation establishes a Workers' Compensation Appeals Commission and replaces the Alaska Workers' Compensation Board with a Workers' Compensation Hearings Board. It also transfers a number of functions from the Division of Workers' Compensation and the former Workers' Compensation Board to the new Commission and Hearings Board. The fiscal note displays the net change in costs associated with these changes. Changes include:

	Existing WC Component	New WC Appeals	New WC Hearings Board	Net Change
Personal Services	(803.8)	1,183.9	0.0	380.1
Travel	(36.8)	16.2	60.4	39.8
Contractual	(88.9)	257.3	0.0	168.4
Supplies	(8.6)	35.7	0.0	27.1
Equipment		11.6	0.0	11.6
Total	(938.1)	1,504.7	60.4	627.0

New Workers' Compensation Appeals Commission budget component:

Operating Expenditures:

Personal Services: The Appeals Commission is comprised of 13 new positions:

	<u>Range</u>
Commission, Chair	30 F
Commission, Member	29 C
Commission, Member	29 C
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Admin. Services Mgr./ Commission Clerk	23 A
Admin. Assistant	13 A/B
Admin. Clerk III	10 A/B
Admin. Clerk II	8 A/B

The personal services costs of \$1,183.9 are associated with the above positions. Steps for Appeals Commission Hearing Examiners are assumed to cover the range of experience of the potential incumbents mandated by the bill.

A reduction in the total numbers of hearing officers (currently eight authorized Workers' Compensation Hearing Officers versus planned six Appeals Commission Hearing Examiners) is based upon a reasonably expected increase in productivity. That increase would result from 1) the increased experience and qualifications justifying Range 24 pay and 2) a lessening of turnover associated with upgrading the positions. Also, a reduction is supported by one substantive change in the bill that removes the need for a hearing examiner to review Compromise & Release agreements involving injured workers represented by an attorney licensed to practice in the State of Alaska.

In order to insure that there is someone available to assist the chair in diverse "court clerk," budget/fiscal, and organizational administration functions (while still keeping total staffing requirements low) a higher level administrative manager position is included. In the state personnel system an Administrative Services Manager is identified as a "principal assistant to a division director" for managing administrative functions while insuring financial integrity and mission accomplishment.

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ANALYSIS: (continued)

Travel: Appeals Commission travel costs of \$16.2 have been minimized by basing the Commission and holding all its appeals hearings in Anchorage. Commission administrative staff are also located in Anchorage. Five Appeals Commission Hearing Examiners are based in Anchorage and one in Fairbanks. Planned travel includes 3 trips to Juneau for the Commission chair and Commission Clerk/Administrative Services Manager as well as Hearing Examiner travel once per month to Juneau for hearings, and Hearing Examiner travel once every two months to Fairbanks to back up/fill in for resident.

Hearings Board travel includes both actual travel costs (\$30.4) associated with the 14 Board members attending hearings and a total of (\$30.0) based upon a \$50/day stipend payable for each day or part of a day spent on Board business. This component now reflects the requirement that two Board members must be present or a scheduled hearing may not proceed.

Contractual: The bill requires that Appeals Commission offices and staff be "physically separate" from the Workers' Compensation Division offices and staff. The contractual budget of \$257.3 includes on-going contractual costs (telephones, leases, equipment maintenance, etc.) of \$184.2 and one-time costs of achieving the mandated physical separation of \$52.5 in Anchorage and \$20.6 in Fairbanks for a total of \$73.1. Those costs include remodeling of office space, staff relocation, and voice and data line wiring.

Supplies and Equipment: A budget of \$35.7 for general office supplies and \$11.6 for equipment is necessary to establish and operate the Appeals Commission in FY 2005 due to the one time costs associated with items such as printers, fax machines and photocopiers and additional computers. Beginning in FY 2006 the supply and equipment line items are adjusted to reflect estimated operational costs for the Appeals Commission.

New Fees/Fines:

The bill authorizes the Appeals Commission to charge a \$100.00 fee for the filing of an appeal. This is expected to amount to a yearly total of approximately \$6,000.00 payable to the Workers' Safety and Compensation Administration Account.

The bill also allows the Appeals Commission to order the parties to an appeal to pay for its costs of preparing the appeal file. At \$200.00 per appeal that could be expected to total \$12,000.00 per year payable to the Workers' Safety Account.

The bill also authorizes the Division of Workers' Compensation to seek the imposition of civil penalties against employers that violate the statutory requirement to insure or properly self-insure for their employees' workers' compensation benefits. Appeals Commission hearing examiners would be authorized to award penalties up to a maximum of \$100.00 per day per employee. Based upon FY 2003 statistics penalties totaling \$217,900.00 could have been assessed for each day the 189 identified, uninsured employers failed to insure the workers' compensation benefits of their 2,179 employees. It is unclear whether these penalties under AS 23.30.080 were intended to be considered as penalties under "this section" (AS 23.05.067). Due to the speculative nature of these penalties, and the uncertainty of their collectability and qualification for inclusion, no adjustment to the Workers' Safety and Compensation Administration Account is currently included.

Existing Workers' Compensation budget component:

Operating Expenditures:

Personal Services: The Workers' Compensation Division and the Workers' Compensation Board would delete the following positions:

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ANALYSIS: (continued)

	Range
Chief of Adjudication (PCN 07-3005)	23 B
Workers' Compensation Hearing Officer (PCN 07-3013)	21 M
Workers' Compensation Hearing Officer (PCN 07-3020)	21 K
Workers' Compensation Hearing Officer (PCN 07-3042)	21 F
Workers' Compensation Hearing Officer (PCN 07-3043)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3044)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3060)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3061)	21 A
Workers' Compensation Officer II (PCN 07-3027)	18 K
14 Workers' Compensation Board Members ----	

The personal services cost reductions of (\$803.8) are associated with the 9 full-time positions above. Savings from Board members are reflected below under travel and stipends.

Many responsibilities previously lodged in the AWCB have been reassigned to the Division Director. While some will be absorbed by the remaining Workers' Compensation Officers, others require more advanced legal and administrative hearing skills. Reflecting the increased responsibilities the bill places upon the Division Director, and the loss of the Chief of Adjudication, the Division will retain one Workers' Compensation Hearing Officer or equivalent (Range 21) position. This position will allow the Director to delegate some of the duties for making investigations and determinations to the incumbent.

The bill shifts to the Appeals Commission Hearing Examiners the requirement to hold prehearing conferences needed to plan hearings and to resolve discovery disputes. In Anchorage, where there are currently three WCO II's and two technicians, this reduction and shifting other work will require one less Workers' Compensation Officer II.

Travel: Travel costs are reduced by (\$36.8) to reflect transfer of hearing officer travel, as well as Board member stipends (\$50.00 per day) and travel, to the Appeals Commission. (The latter due to replacement of the Alaska Workers Compensation Board by the Commission's Workers' Compensation Hearing Board.)

Contractual and Supplies: Reflects reductions in fixed costs, space lease in Anchorage and Fairbanks, and other contractual costs totaling (\$88.9). And also reflects transferring (\$8.6) for supplies to the Appeals Commission.

Funding

Funding for the net cost increase resulting from this legislation will be from the Workers' Safety and Compensation Administration Account and reserves. This assumes passage of legislation to reverse the sweep of the reserve balance. Failure to reverse the sweep may force a reliance on General Funds for some of these costs as most recurring WSCA Account revenue is accounted for in the Governor's FY 2005 budget.