

COMMITTEE REPORT

HOUSE

5/7/81

FURTHER:

(11)

Date: _____

Mr. Speaker:

The Committee on FINANCE has had 18/81

Act relating to the Alaska Workers' Compensation Board and the
general liability fund established under the Alaska Workers' Compensation
Act and providing for an effective date

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee
- 4/21/81 for 797.4
4/21/81 for 55.7
5/12/81 for 1600*

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill No. 94
 Title "An Act relating to Workers' Compensation . . ."
 Requested by House Labor & Commerce Committee Date April 27, 1981

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	87.1	97.6	109.3	122.4	137.1
TOTAL	0	87.1	97.6	109.3	122.4	137.1

FUNDING (Thousands of Dollars)

GENERAL FUND		¹⁾ 799.4	215.4	232.6	251.2	271.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund		(799.4)	(215.4)	(232.6)	(251.2)	(271.3)
Second Injury Fund ²⁾	0	87.1	97.6	109.3	122.4	137.1

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1) The FY '82 General Fund request will allow the Fund to meet its outstanding obligations. Because of a shortfall in revenues the Fund has accumulated approximately \$600.0 in unpaid obligations. Failure to pay these obligations as they become due is in violation of AS 23.30.205, which requires the Fund to reimburse the employer/carrier in full for compensation paid to injured workers under certain prescribed conditions. Since enactment of the Second Injury Fund statutes in 1959, total operating costs of the program have been paid from revenues contributed by employers/carriers. During recent hearings held by the Workers' Compensation Study Commission, employers and their carriers voiced strong concern as to why administrative costs of the program are being paid from the Second Injury Fund rather than out of the State General Fund. Present Second Injury Fund statutes provide for payments to be made to the Fund and disbursements to be made from the Fund under certain prescribed conditions. There is no provision however, that addresses the payment of administrative costs.

IV. DATE April 27, 1981 PREPARED BY *Nico Bus* Nico Bus, Finance Officer
 AGENCY Labor
 Original: Legislative Finance PHONE 465-2720
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

This fiscal note reflects the impact on the General Fund and the Second Injury Fund when administrative cost will be paid out of General Funds for FY 1982 through FY 1986.

Assumes an inflation factor of 8%.

Assumes an effective date of July 1, 1981.

- 2) Assumes an annual increase of 20% as a result of the raise in the maximum from \$5,000 to \$10,000 for vocational retraining and rehabilitation benefits.

In the department's estimation, the proposed bill will provide adequate revenue for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill 94
Title An Act Relating to Workers' Compensation and providing
Requested by House Labor and Commerce Committee

20 COPIES
FILE
HB 94

II. FISCAL DETAIL

Agency Affected Workers' Compensation Division, Department of Labor
Program Category Affected Worker Protection
BRU, Program, or Subprogram(s) Affected Workers' Compensation

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		43.5	47.0	50.8	54.9	59.3
200 TRAVEL		0	0	0	0	0
300 CONTRACTUAL		9.8	10.6	11.5	12.4	13.4
400 COMMODITIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		1.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	55.7	58.7	63.5	68.6	74.1

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	0	55.7	58.7	63.5	68.6	74.1
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	0	2	2	2	2	2
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) (see attached form 13's)

- 1.) Personal Services Cost at current salary and benefit cost (1/1/81).
- 2.) Contractual Services - includes Indirect Cost (Administrative Services), rental space and other.
- 3.) Equipment - one time items to set up the new employees with desk, chair, cabinets and partitions.
- 4.) Assumes effective date July 1, 1981.
- 5.) Inflation factor used 8%, all items.

IV. DATE

4/27/81

PREPARED BY

Nicholas W. Burr, Finance Officer

AGENCY

LABOR

PHONE

465-2720

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

1.	Position Title Clerk I			Range/Step 6 A	Barg. Unit G	Location Juneau	Gov.	Approv.	Disapp.
2.	Type of Position PFT	Staff Months 12	RP No.	PCN No.	Priority	Form 12 page/line	Leq.		
3.	Type of Expenditure			Amount		<p>The 4.2 contractual consists of 2.7 space rental and 1.5 indirect (Administrative Services). The .5 commodities is for office supplies; the .7 equipment is a desk and chair.</p> <p>This position will provide full-time filing and general clerical assistance to the Division. The additional reports required of employers insurance carriers will be distributed and filed by this position. A full-time filing position will allow the filing to be kept current and avoid delays in searching for unfiled reports.</p>			
	1	2	3						
4.	Personal Services:								
	Salary	1249 x 12	14,988						
5.	Benefits	15.87	2,379						
6.	FICA	.0613	919						
7.	Health Ins.		1,800						
8.	Total Personal Services	01	20,086						
9.	Travel	02							
10.	Contractual	03	4,161						
11.	Commodities	04	500						
12.	Equipment	05	700						
13.	Other								
14.	Total Cost		25,447						
	CODE	FUNDING SOURCE							
15.		FED RECPT. 1002							
16.		GF MATCH. 1003							
17.		GEN. FUND 1004		25,447					
18.		I-A RCPTS. 1005							
19.		PGM RCPTS 1028							
20.		OTHER							
21.	CONTINUATION								
22.	ADDITION								

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED DATE _____

BRU Workers' Compensation

PAGE 1 OF 2 **FY 82**

COMPONENT Workers' Compensation

13 REQUEST FOR NEW POSITION.

1

1.	Position Title Data Control Clerk I				Range/Step 9 A	Barg. Unit G	Location Juneau	Gov.	Approv.	Disapp.
2.	Type of Position PFT	Staff Months 12	RP No.	PCN No.	Priority	Form 12 page/line	Leg.			

3. Type of Expenditure			Amount
1	2	3	
Personal Services:			
4. Salary	1475 x 12		17,700
5. Benefits	15.87		2,809
6. FICA	.0613		1,085
7. Health Ins.			1,800
8. Total Personal Services	01		23,394
9. Travel	02		-0-
10. Contractual	03		5,626
11. Commodities	04		500
12. Equipment	05		700
13. Other			
14. Total Cost			30,220

The 5.6 contractual consists of 2.7 space rental, 1.7 indirect (Administrative Services) and 1.2 for computer terminal leasing. The .5 commodities is for office supplies. The .7 equipment is a desk and chair.

This position will handle part of the increased workload in the filing and coding units due to the increased reporting requirements of employers' insurance carriers. The information from the additional reports will be entered via computer terminal into our new information handling system. This data will give the Division accurate statistics on all costs of every claim as well as precise computations as to the carrier's change in any claimant payment.

	CODE	FUNDING SOURCE	
15.		FED RECPT. 1002	
16.		GF MATCH. 1003	
17.		GEN. FUND 1004	30,220
18.		I-A RCPTS. 1005	
19.		PGM RCPTS 1028	
20.		OTHER	
21.	CONTINUATION		
22.	ADDITION		

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED
DATE _____

BRU Workers' Compensation

PAGE 2 OF FY 82

COMPONENT Workers' Compensation

13 REQUEST FOR NEW
POSITION.



THE LEGISLATURE OF THE STATE OF ALASKA

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS HB 94 (L&C) -- Rehabilitation amendment
 Title An Act relating to workers compensation
 Requested by Rogers Date May 12, 1981

II. FISCAL DETAIL

Agency Affected Department of Labor
 Program Category Affected Administration of Workers' Compensation
 BRU, Program, or Subprogram(s) Affected Public Protection

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES				95.0	0	
200 TRAVEL				25.0	0	
300 CONTRACTUAL				40.0	0	
400 COMMODITIES				0	0	
500 EQUIPMENT				0	0	
600 LAND & STRUCTURES				0	0	
700 GRANTS, CLAIMS, ETC.				0	0	
TOTAL				160.0	0	

FUNDING (Thousands of Dollars)

GENERAL FUND				160.0		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY				5		

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

100. PERSONAL SERVICES:	Project Coordinator (6 months temporary)	30.0
	Legal Researcher & Drafter (6 months temp)	25.0
	Research Analyst (6 months temporary)	15.0
	Secretarial/Clerical (2 @ 6month temp)	25.0
		<u>95.0</u>
200. TRAVEL AND PER DIEM:	In-state (includes 3 public hearings)	10.0
	Out-of-state (consult with other states)	15.0
300. CONTRACTUAL:	Technical consultations	15.0
	Office costs and support	25.0
		<u>160.0</u>

IV. DATE 5/12/81 PREPARED BY Brian P. Legicki
 AGENCY Legislature

Original: Legislative Finance PHONE 465-4525
 cc: Budget and Management

Prime Sponsor (First Legislator Named)

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 94 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to workers' compensation; and provid-
7 ing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.30.005(a) is amended to read:

10 (a) The Alaska Workers' Compensation Board shall consist of nine
11 [SEVEN] members, including a southern panel of three members sitting
12 for the first judicial district, a northern panel of three members
13 sitting for the second and fourth judicial districts, AND] a south-
14 central panel of three members sitting for the third judicial district,
15 and one panel of three members which may sit in any judicial district.

16 Each panel shall include the commissioner of labor or his designated
17 representative, a representative of industry and a representative of
18 labor. The latter two members of each panel shall be appointed by the
19 governor. All panel members are subject to confirmation by a majority
20 of the members of the legislature in joint session.

21 * Sec. 2. AS 23.30.040 is repealed and reenacted to read:

22 Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a
23 second injury fund, administered by the commissioner of labor. Money
24 in the second injury fund may only be paid for the benefit of those
25 persons entitled to payment of benefits from the second injury fund
26 under this chapter. Payments from the second injury fund must be made
27 by the commissioner of labor in accordance with the orders and awards
28 of the board.

29 (b) If an employee suffers a compensable injury which results in

CE COMMITTEE

on; and provid-
 consist of nine
 members sitting
 three members
 [AND] a south-
 judicial district,
 judicial district.
 his designated
 representative of
 appointed by the
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total disability, temporary partial disability, permanent
 disability, or permanent total disability, the employer or
 carrier shall contribute to the second injury fund. The
 contribution shall be made by one year from the date of the injury or
 the date of the employee's claim, whichever is sooner. If the
 claim is not terminated within one year, subsequent contributions shall
 be made monthly until the termination of the employee's claim. The
 amount of the contribution is the product of the compensation to which
 the employee is entitled for temporary total disability, temporary
 partial disability, permanent partial disability, permanent total
 disability, or for rehabilitation under AS 23.30.191 and the applicable
 contribution rate set out in column A of this subsection. By
 the first of each year the commissioner shall determine and make
 known to the public the applicable contribution rate for the follow-
 ing year according to the reserve rate of the second injury
 fund set out in column B of this subsection:

Column A Second Injury Fund Contribution Rate (Percent)	Column B Reserve Rate	
	At Least (Percent)	But Less Than (Percent)
6	0	50
5	50	75
4	75	100
3	100	125
2	125	150
1	150	175
0	175	-

When an employee suffers a compensable injury which results in
 the death of the employee and the employee is not survived by a widow, widower, child, or

1 dependent relative eligible to receive death benefits under AS 23.-
2 30.215, the employer or insurance carrier shall pay \$10,000 to the
3 second injury fund.

4 (d) The board may refund a payment made into the second injury
5 fund if the employer or insurance carrier shows that it made the pay-
6 ment by mistake or inadvertence, or if it shows there existed at the
7 time of the death of the employee a beneficiary entitled to benefits
8 under AS 23.30.215.

9 (e) The board may direct and provide the vocational retraining
10 and vocational rehabilitation of a permanently disabled person whose
11 condition is a result of an injury compensable under this chapter by
12 making cooperative arrangements with insurance carriers, private organ-
13 izations and institutions, or state or federal agencies. The person
14 being retrained or rehabilitated is entitled to receive additional
15 compensation from the second injury fund for maintenance during the
16 period of retraining and rehabilitation in the sum which the board
17 considers necessary, not to exceed \$200 a month. The total expendi-
18 tures for maintenance, retraining, rehabilitation, and necessary trans-
19 portation may not exceed \$10,000 for one person.

20 (f) All amounts collected as civil penalties under AS 23.30.-
21 155(c) shall be paid into the second injury fund.

22 (g) The attorney general may investigate claims and hire expert
23 witnesses necessary to prevent fraudulent or excessive claims for money
24 in the second injury fund.

25 (h) Administration expenses of the state under this section and
26 AS 23.30.205 shall be paid from the general fund.

27 * Sec. 3. AS 23.30.155 is amended to read:

28 Sec. 23.30.155. PAYMENT OF COMPENSATION. (a) Compensation
29 under this chapter shall be paid periodically, promptly, and directly

1 to the person entitled to it, without an award, except where liability
2 to pay compensation is controverted by the employer. To controvert a
3 claim the employer must file a notice, on a form prescribed by the
4 board, stating

5 (1) that the right of the employee to compensation is
6 controverted;

7 (2) the name of the employee;

8 (3) the name of the employer;

9 (4) the date of the alleged injury or death; and

10 (5) the type of compensation and all grounds upon which the
11 right to compensation is controverted.

12 (b) The first installment of compensation becomes due on the 14th
13 day after the employer has knowledge of the injury or death. On this
14 date all compensation then due shall be paid. Subsequent compensation
15 shall be paid in installments, every 14 days [SEMIMONTHLY], except
16 where the board determines that payment in installments should be made
17 monthly or at some other period.

18 (c) Upon making the first payment, and upon an increase, reduc-
19 tion, termination, suspension, resumption or a change in rate or type
20 of compensation paid [OF PAYMENT FOR ANY CAUSE], the employer shall
21 [IMMEDIATELY] notify the board within 14 days, on [IN ACCORDANCE WITH]
22 a form prescribed by the board, that payment of compensation has begun
23 or has been increased, reduced, terminated, resumed, changed, or sus-
24 pending, as the case may be. If the employer fails to notify the board
25 within 14 days, the board shall assess against the employer a civil
26 penalty of \$100 plus \$25 for each day in excess of 14 days that the
27 employer fails to give notice. Total penalties under this section may
28 not exceed \$2,500 for each failure to file a required report.

29 (d) If the employer controverts the right to compensation he

1 shall file with the board on or before the 14th day after he has knowl-
2 edge of the alleged injury or death or on or before an installment of
3 compensation payable without an award is due, a notice of controversion
4 on [, IN ACCORDANCE WITH] a form prescribed by the board [, STATING
5 THAT THE RIGHT TO COMPENSATION IS CONTROVERTED, THE NAME OF THE CLAI-
6 MANT, THE NAME OF THE EMPLOYER, THE DATE OF THE ALLEGED INJURY OR
7 DEATH, AND THE GROUNDS UPON WHICH THE RIGHT TO COMPENSATION IS CONTRO-
8 VERTED].

9 (e) If any installment of compensation payable without an award
10 is not paid within 14 days after it becomes due, as provided in (b) of
11 this section, there shall be added to the unpaid installment an amount
12 equal to 20 percent of it, which shall be paid at the same time as, and
13 in addition to, the installment, unless notice is filed under (d) of
14 this section or unless the nonpayment is excused by the board after a
15 showing by the employer that owing to conditions over which he had no
16 control the installment could not be paid within the period prescribed
17 for the payment.

18 (f) If compensation payable under the terms of an award is not
19 paid within 14 days after it becomes due, there shall be added to that
20 [SUCH] unpaid compensation an amount equal to 20 percent of it, which
21 shall be paid at the same time as, but in addition to, the compen-
22 sation, unless review of the compensation order ~~making~~ the award is had
23 as provided in AS 23.30.125 and an interlocutory injunction staying
24 payments is allowed by the court.

25 [(g) WITHIN 16 DAYS AFTER FINAL PAYMENT OF COMPENSATION HAS BEEN
26 MADE, THE EMPLOYER SHALL SEND TO THE BOARD A NOTICE IN ACCORDANCE WITH
27 A FORM PRESCRIBED BY THE BOARD STATING THE FACT THAT FINAL PAYMENT HAS
28 BEEN MADE, THE TOTAL AMOUNT OF COMPENSATION PAID, THE NAME OF THE
29 EMPLOYEE AND OF ANY OTHER PERSON TO WHOM COMPENSATION HAS BEEN PAID,

1 THE DATE OF THE INJURY OR DEATH, AND THE DATE TO WHICH WHICH COMPENSA-
2 TION HAS BEEN PAID. IF THE EMPLOYER FAILS TO SO NOTIFY THE BOARD WITHIN
3 THIS TIME, THE BOARD SHALL ASSESS AGAINST THE EMPLOYER A CIVIL PENALTY
4 IN THE AMOUNT OF \$100.]

5 (h) The board may upon its own initiative at any time in a case
6 in which payments are being made with or without an award, [AND SHALL
7 IN A CASE] where right to compensation is controverted, or where pay-
8 ments of compensation have been increased, reduced, terminated, changed,
9 [STOPPED] or suspended, upon receipt of notice from a person entitled
10 to compensation, or from the employer, that the right to compensation
11 is controverted, or that payments of compensation have been increased,
12 reduced, terminated, changed, [STOPPED] or suspended, make the investi-
13 gations, cause the medical examinations to be made, or hold the hear-
14 ings, and take the further action which it considers will properly
15 protect the rights of all parties.

16 (i) When the board considers it advisable it may require an
17 employer to make a deposit with the Department of Revenue to secure the
18 prompt and convenient payment of the compensation, and payments from
19 the deposit upon an award shall be made upon order of the board.

20 (j) If an employer has made advance payments of compensation, he
21 is entitled to be reimbursed out of any unpaid installment or install-
22 ments of compensation due.

23 (k) An injured employee or in case of death his dependents or
24 personal representative, shall give receipts for payment of compensation
25 to the employer paying it and the employer shall produce them for
26 inspection by the board, whenever required.

27 (l) (repealed)

28 (m) An employer shall file on or before the date one year from
29 the date of injury or upon termination of the claim, whichever is

1 sooner, a report on a form prescribed by the board, showing the total
2 amount of all compensation, medical and related benefits, legal fees,
3 and penalties paid during the period since the injury including the
4 name of the claimant, the date of injury, and the claim number. If the
5 claim is not terminated within one year, subsequent reports shall be
6 made yearly until the termination of the claim.

7 * Sec. 4. AS 23.30.265 is amended by adding a new paragraph to read:

8 (28) "reserve rate" means the unencumbered second injury fund
9 balance on October 31 of each year as a percentage of disbursements
10 from the second injury fund during the 12-month period ending on June 30
11 of the same calendar year.

12 * Sec. 5. AS 23.30.155(g), is repealed.

13 * Sec. 6. The amount of a payment to the second injury fund and the
14 conditions under which a payment is required of an employer or insurance
15 carrier must be in accordance with the version of AS 23.30.040(b) in effect
16 on the date that the injury to the employee occurred.

17 * Sec. 7. Notwithstanding the provisions of AS 23.30.040(b) as reenacted
18 in sec. 2 of this Act, the contribution rate for the second injury fund is
19 six percent from July 1, 1981, until December 31, 1982.

20 * Sec. 8. The division of workers' compensation in the Department of
21 Labor shall undertake a comprehensive study of vocational rehabilitation of
22 injured workers to include the following topics: (1) the organizational
23 planning for a central agency to supervise and control the sequence, timeli-
24 ness, duration and quality of rehabilitative care; (2) the coordination of
25 programs for the distribution of services with other involved agencies; (3)
26 the determination of the relationship of the obligations of employers and
27 employees in the rehabilitative process as well as the accountability for
28 the performance of rehabilitation facilities; (4) the development of methods
29 to minimize the adversary environment and create an atmosphere conducive to

1 successful reemployment; (5) the development of reemployment programs for
2 disabled workers; (6) the integration of workers' compensation with other
3 programs for the disabled; and (7) a review of incentives and disincentives
4 for employees, employers, and insurers involved in the rehabilitative process.
5 The division of workers' compensation shall report its recommendations for
6 legislation or administrative action by the 30th day of the Second Session
7 of the Twelfth Legislature.

8 * Sec. 9. This Act takes effect on July 1, 1981.
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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill No. 94 amended
 Title "An Act relating to Workers' Compensation . . ."
 Requested by Senate Finance Committee Date June 11, 1981

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	87.1	97.6	109.3	122.4	137.1
TOTAL	0	87.1	97.6	109.3	122.4	137.1

FUNDING (Thousands of Dollars)

GENERAL FUND		199.4	215.4	232.6	251.2	271.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund		(199.4)	(215.4)	(232.6)	(251.2)	(271.3)
Second Injury Fund 2)	0	87.1	97.6	109.3	122.4	137.1

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- 1) Since enactment of the Second Injury Fund statutes in 1959, total operating costs of the program have been paid from revenues contributed by employers/carriers. During recent hearings held by the Workers' Compensation Study Commission, employers and their carriers voiced strong concern as to why administrative costs of the program are being paid from the Second Injury Fund rather than out of the State General Fund. Present Second Injury Fund statutes provide for payments to be made to the Fund and disbursements to be made from the Fund under certain prescribed conditions. There is no provision however, that addresses the payment of administrative costs.

This fiscal note reflects the impact on the General Fund and the Second Injury Fund when administrative cost will be paid out of General Funds for FY 1982 through FY 1986.

Assumes an inflation factor of 8%.

IV. DATE June 11, 1981 PREPARED BY *Mico Bus* Mico Bus, Finance Officer
 AGENCY Labor
 Original: Legislative Finance PHONE 465-2720
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Assumes an effective date of July 1, 1981.

- 2) Assumes an annual increase of 20% as a result of the raise in the maximum from \$5,000 to \$10,000 for vocational retraining and rehabilitation benefits.

In the department's estimation, the proposed bill will provide adequate revenue for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of the State General Fund in future years.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 94 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 . A BILL .

6 For an Act entitled: "An Act relating to workers' compensation; and provid-
7 ing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.30.005(a) is amended to read:

10 (a) The Alaska Workers' Compensation Board shall consist of nine
11 [SEVEN] members, including a southern panel of three members sitting
12 for the first judicial district, a northern panel of three members
13 sitting for the second and fourth judicial districts, [AND] a south-
14 central panel of three members sitting for the third judicial district,
15 and one panel of three members which may sit in any judicial district.

16 Each panel shall include the commissioner of labor or his designated
17 representative, a representative of industry and a representative of
18 labor. The latter two members of each panel shall be appointed by the
19 governor. All panel members are subject to confirmation by a majority
20 of the members of the legislature in joint session.

21 * Sec. 2. AS 23.30.040 is repealed and reenacted to read:

22 Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a
23 second injury fund, administered by the commissioner of labor. Money
24 in the second injury fund may only be paid for the benefit of those
25 persons entitled to payment of benefits from the second injury fund
26 under this chapter. Payments from the second injury fund must be made
27 by the commissioner of labor in accordance with the orders and awards
28 of the board.

29 (b) If an employee suffers a compensable injury which results in

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total disability, temporary partial disability, permanent
disability, or permanent total disability, the employer or
carrier shall contribute to the second injury fund. The
contribution shall be made by one year from the date of the injury or
the filing of the employee's claim, whichever is sooner. If the
claim is not terminated within one year, subsequent contributions shall
be made monthly until the termination of the employee's claim. The
amount of the contribution is the product of the compensation to which
the employee is entitled for temporary total disability, temporary
partial disability, permanent partial disability, permanent total
disability, or for rehabilitation under AS 23.30.191 and the applicable
contribution rate set out in column A of this subsection. By
the first of each year the commissioner shall determine and make
known to the public the applicable contribution rate for the follow-
ing year according to the reserve rate of the second injury
fund set out in column B of this subsection:

Column A	Column B	
Second Injury Fund	Reserve Rate	
Contribution Rate	At Least	But Less Than
(Percent)	(Percent)	(Percent)
6	0	50
5	50	75
4	75	100
3	100	125
2	125	150
1	150	175
0	175	-

When an employee suffers a compensable injury which results in
the death of an employee who is not survived by a widow, widower, child, or

1 dependent relative eligible to receive death benefits under AS 23.-
2 30.215, the employer or insurance carrier shall pay \$10,000 to the
3 second injury fund.

4 (d) The board may refund a payment made into the second injury
5 fund if the employer or insurance carrier shows that it made the pay-
6 ment by mistake or inadvertence, or if it shows there existed at the
7 time of the death of the employee a beneficiary entitled to benefits
8 under AS 23.30.215.

9 (e) The board may direct and provide the vocational retraining
10 and vocational rehabilitation of a permanently disabled person whose
11 condition is a result of an injury compensable under this chapter by
12 making cooperative arrangements with insurance carriers, private organ-
13 izations and institutions, or state or federal agencies. The person
14 being retrained or rehabilitated is entitled to receive additional
15 compensation from the second injury fund for maintenance during the
16 period of retraining and rehabilitation in the sum which the board
17 considers necessary, not to exceed \$200 a month. The total expendi-
18 tures for maintenance, retraining, rehabilitation, and necessary trans-
19 portation may not exceed \$10,000 for one person.

20 (f) All amounts collected as civil penalties under AS 23.30.-
21 155(c) shall be paid into the second injury fund.

22 (g) The attorney general may investigate claims and hire expert
23 witnesses necessary to prevent fraudulent or excessive claims for money
24 in the second injury fund.

25 (h) Administration expenses of the state under this section and
26 AS 23.30.205 shall be paid from the general fund.

27 * Sec. 3. AS 23.30.155 is amended to read:

28 Sec. 23.30.155. PAYMENT OF COMPENSATION. (a) Compensation
29 under this chapter shall be paid periodically, promptly, and directly

1 to the person entitled to it, without an award, except where liability
2 to pay compensation is controverted by the employer. To controvert a
3 claim the employer must file a notice, on a form prescribed by the
4 board, stating

5 (1) that the right of the employee to compensation is
6 controverted;

7 (2) the name of the employee;

8 (3) the name of the employer;

9 (4) the date of the alleged injury or death; and

10 (5) the type of compensation and all grounds upon which the
11 right to compensation is controverted.

12 (b) The first installment of compensation becomes due on the 14th
13 day after the employer has knowledge of the injury or death. On this
14 date all compensation then due shall be paid. Subsequent compensation
15 shall be paid in installments, every 14 days [SEMIMONTHLY], except
16 where the board determines that payment in installments should be made
17 monthly or at some other period.

18 (c) Upon making the first payment, and upon an increase, reduc-
19 tion, termination, suspension, resumption or a change in rate or type
20 of compensation paid [OF PAYMENT FOR ANY CAUSE], the employer shall
21 [IMMEDIATELY] notify the board within 14 days, on [IN ACCORDANCE WITH]
22 a form prescribed by the board, that payment of compensation has begun
23 or has been increased, reduced, terminated, resumed, changed, or sus-
24 pending, as the case may be. If the employer fails to notify the board
25 within 14 days, the board shall assess against the employer a civil
26 penalty of \$100 plus \$25 for each day in excess of 14 days that the
27 employer fails to give notice. Total penalties under this section may
28 not exceed \$2,500 for each failure to file a required report.

29 (d) If the employer controverts the right to compensation he

1 shall file with the board on or before the 14th day after he has knowl-
2 edge of the alleged injury or death or on or before an installment of
3 compensation payable without an award is due, a notice of controversion
4 on [, IN ACCORDANCE WITH] a form prescribed by the board [, STATING
5 THAT THE RIGHT TO COMPENSATION IS CONTROVERTED, THE NAME OF THE CLAI-
6 MANT, THE NAME OF THE EMPLOYER, THE DATE OF THE ALLEGED INJURY OR
7 DEATH, AND THE GROUNDS UPON WHICH THE RIGHT TO COMPENSATION IS CONTRO-
8 VERTED].

9 (e) If any installment of compensation payable without an award
10 is not paid within 14 days after it becomes due, as provided in (b) of
11 this section, there shall be added to the unpaid installment an amount
12 equal to 20 percent of it, which shall be paid at the same time as, and
13 in addition to, the installment, unless notice is filed under (d) of
14 this section or unless the nonpayment is excused by the board after a
15 showing by the employer that owing to conditions over which he had no
16 control the installment could not be paid within the period prescribed
17 for the payment.

18 (f) If compensation payable under the terms of an award is not
19 paid within 14 days after it becomes due, there shall be added to that
20 [SUCH] unpaid compensation an amount equal to 20 percent of it, which
21 shall be paid at the same time as, but in addition to, the compen-
22 sation, unless review of the compensation order ~~making~~ the award is had
23 as provided in AS 23.30.125 and an interlocutory injunction staying
24 payments is allowed by the court.

25 [(g) WITHIN 16 DAYS AFTER FINAL PAYMENT OF COMPENSATION HAS BEEN
26 MADE, THE EMPLOYER SHALL SEND TO THE BOARD A NOTICE IN ACCORDANCE WITH
27 A FORM PRESCRIBED BY THE BOARD STATING THE FACT THAT FINAL PAYMENT HAS
28 BEEN MADE, THE TOTAL AMOUNT OF COMPENSATION PAID, THE NAME OF THE
29 EMPLOYEE AND OF ANY OTHER PERSON TO WHOM COMPENSATION HAS BEEN PAID,

1 THE DATE OF THE INJURY OR DEATH, AND THE DATE TO WHICH WHICH COMPENSA-
2 TION HAS BEEN PAID. IF THE EMPLOYER FAILS TO SO NOTIFY THE BOARD WITHIN
3 THIS TIME, THE BOARD SHALL ASSESS AGAINST THE EMPLOYER A CIVIL PENALTY
4 IN THE AMOUNT OF \$100.]

5 (h) The board may upon its own initiative at any time in a case
6 in which payments are being made with or without an award, [AND SHALL
7 IN A CASE] where right to compensation is controverted, or where pay-
8 ments of compensation have been increased, reduced, terminated, changed,
9 [STOPPED] or suspended, upon receipt of notice from a person entitled
10 to compensation, or from the employer, that the right to compensation
11 is controverted, or that payments of compensation have been increased,
12 reduced, terminated, changed, [STOPPED] or suspended, make the investi-
13 gations, cause the medical examinations to be made, or hold the hear-
14 ings, and take the further action which it considers will properly
15 protect the rights of all parties.

16 (i) When the board considers it advisable it may require an
17 employer to make a deposit with the Department of Revenue to secure the
18 prompt and convenient payment of the compensation, and payments from
19 the deposit upon an award shall be made upon order of the board.

20 (j) If an employer has made advance payments of compensation, he
21 is entitled to be reimbursed out of any unpaid installment or install-
22 ments of compensation due.

23 (k) An injured employee or in case of death his dependents or
24 personal representative, shall give receipts for payment of compensation
25 to the employer paying it and the employer shall produce them for
26 inspection by the board, whenever required.

27 (l) (repealed)

28 (m) An employer shall file on or before the date one year from
29 the date of injury or upon termination of the claim, whichever is

1 sooner, a report on a form prescribed by the board, showing the total
2 amount of all compensation, medical and related benefits, legal fees,
3 and penalties paid during the period since the injury including the
4 name of the claimant, the date of injury, and the claim number. If the
5 claim is not terminated within one year, subsequent reports shall be
6 made yearly until the termination of the claim.

7 * Sec. 4. AS 23.30.265 is amended by adding a new paragraph to read:

8 (28) "reserve rate" means the unencumbered second injury fund
9 balance on October 31 of each year as a percentage of disbursements
10 from the second injury fund during the 12-month period ending on June 30
11 of the same calendar year.

12 * Sec. 5. AS 23.30.155(g), is repealed.

13 * Sec. 6. The amount of a payment to the second injury fund and the
14 conditions under which a payment is required of an employer or insurance
15 carrier must be in accordance with the version of AS 23.30.040(b) in effect
16 on the date that the injury to the employee occurred.

17 * Sec. 7. Notwithstanding the provisions of AS 23.30.040(b) as reenacted
18 in sec. 2 of this Act, the contribution rate for the second injury fund is
19 six percent from July 1, 1981, until December 31, 1982.

20 * Sec. 8. The division of workers' compensation in the Department of
21 Labor shall undertake a comprehensive study of vocational rehabilitation of
22 injured workers to include the following topics: (1) the organizational
23 planning for a central agency to supervise and control the sequence, timeli-
24 ness, duration and quality of rehabilitative care; (2) the coordination of
25 programs for the distribution of services with other involved agencies; (3)
26 the determination of the relationship of the obligations of employers and
27 employees in the rehabilitative process as well as the accountability for
28 the performance of rehabilitation facilities; (4) the development of methods
29 to minimize the adversary environment and create an atmosphere conducive to

1 successful reemployment; (5) the development of reemployment programs for
2 disabled workers; (6) the integration of workers' compensation with other
3 programs for the disabled; and (7) a review of incentives and disincentives
4 for employees, employers, and insurers involved in the rehabilitative process.
5 The division of workers' compensation shall report its recommendations for
6 legislation or administrative action by the 30th day of the Second Session
7 of the Twelfth Legislature.

8 * Sec. 9. This Act takes effect on July 1, 1981.
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Original sponsor: Rules/Governor

Offered: 5/7/81
Referred: Finance

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 94 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to workers' compensation; and provid-
7 ing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.30.005(a) is amended to read:

10 (a) The Alaska Workers' Compensation Board shall consist of nine
11 [SEVEN] members, including a southern panel of three members sitting
12 for the first judicial district, a northern panel of three members
13 sitting for the second and fourth judicial districts, [AND] a south-
14 central panel of three members sitting for the third judicial district,
15 and one panel of three members which may sit in any judicial district.
16 Each panel shall include the commissioner of labor or his designated
17 representative, a representative of industry and a representative of
18 labor. The latter two members of each panel shall be appointed by the
19 governor. All panel members are subject to confirmation by a majority
20 of the members of the legislature in joint session.

21 * Sec. 2. AS 23.30.040 is repealed and reenacted to read:

22 Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a
23 second injury fund, administered by the commissioner of labor. Money
24 in the second injury fund may only be paid for the benefit of those
25 persons entitled to payment of benefits from the second injury fund
26 under this chapter. Payments from the second injury fund must be made
27 by the commissioner of labor in accordance with the orders and awards
28 of the board.

29 (b) If an employee suffers a compensable injury which results in

1 temporary total disability, temporary partial disability, permanent
 2 partial disability, or permanent total disability, the employer or
 3 insurance carrier shall contribute to the second injury fund. The
 4 contribution shall be made by one year from the date of the injury or
 5 on termination of the employee's claim, whichever is sooner. If the
 6 claim is not terminated within one year, subsequent contributions shall
 7 be made yearly until the termination of the employee's claim. The
 8 amount of the contribution is the product of the compensation to which
 9 the employee is entitled for temporary total disability, temporary
 10 partial disability, permanent partial disability, permanent total
 11 disability, or for rehabilitation under AS 23.30.191 and the applicable
 12 contribution rate set out in column A of this subsection. By
 13 December 15 of each year the commissioner shall determine and make
 14 available to the public the applicable contribution rate for the follow-
 15 ing calendar year according to the reserve rate of the second injury
 16 fund in Column B of this subsection:

Column A		Column B	
Second Injury Fund		Reserve Rate	
Contribution Rate		At Least	But Less Than
(Percent)		(Percent)	(Percent)
6		0	50
5		50	75
4		75	100
3		100	125
2		125	150
1		150	175
0		175	-

28 (c) If an employee suffers a compensable injury which results in
 29 death and the employee is not survived by a widow, widower, child, or

1 dependent relative eligible to receive death benefits under AS 23.-
2 30.215, the employer or insurance carrier shall pay \$10,000 to the
3 second injury fund.

4 (d) The board may refund a payment made into the second injury
5 fund if the employer or insurance carrier shows that it made the pay-
6 ment by mistake or inadvertence, or if it shows there existed at the
7 time of the death of the employee a beneficiary entitled to benefits
8 under AS 23.30.215.

9 (e) The board may direct and provide the vocational retraining
10 and vocational rehabilitation of a permanently disabled person whose
11 condition is a result of an injury compensable under this chapter by
12 making cooperative arrangements with insurance carriers, private organ-
13 izations and institutions, or state or federal agencies. The person
14 being retrained or rehabilitated is entitled to receive additional
15 compensation from the second injury fund for maintenance during the
16 period of retraining and rehabilitation in the sum which the board
17 considers necessary, not to exceed \$200 a month. The total expendi-
18 tures for maintenance, retraining, rehabilitation, and necessary trans-
19 portation may not exceed \$10,000 for one person.

20 (f) All amounts collected as civil penalties under AS 23.30.-
21 155(c) shall be paid into the second injury fund.

22 (g) The attorney general may investigate claims and hire expert
23 witnesses necessary to prevent fraudulent or excessive claims for money
24 in the second injury fund.

25 (h) Administration expenses of the state under this section and
26 AS 23.30.205 shall be paid from the general fund.

27 * Sec. 3. AS 23.30.155 is amended to read:

28 Sec. 23.30.155. PAYMENT OF COMPENSATION. (a) Compensation
29 under this chapter shall be paid periodically, promptly, and directly

1 to the person entitled to it, without an award, except where liability
2 to pay compensation is controverted by the employer. To controvert a
3 claim the employer must file a notice, on a form prescribed by the
4 board, stating

5 (1) that the right of the employee to compensation is
6 controverted;

7 (2) the name of the employee;

8 (3) the name of the employer;

9 (4) the date of the alleged injury or death; and (5) the type
10 of compensation and all grounds upon which the right to compensation
11 is controverted.

12 (b) The first installment of compensation becomes due on the 14th
13 day after the employer has knowledge of the injury or death. On this
14 date all compensation then due shall be paid. Subsequent compensation
15 shall be paid in installments, every 14 days [SEMIMONTHLY], except
16 where the board determines that payment in installments should be made
17 monthly or at some other period.

18 (c) Upon making the first payment, and upon an increase, reduc-
19 tion, termination, suspension, resumption or a change in rate or type
20 of compensation paid [OF PAYMENT FOR ANY CAUSE], the employer shall
21 [IMMEDIATELY] notify the board within 14 days, on [IN ACCORDANCE WITH]
22 a form prescribed by the board, that payment of compensation has begun
23 or has been increased, reduced, terminated, resumed, changed, or sus-
24 pended, as the case may be. If the employer fails to notify the board
25 within 14 days, the board shall assess against the employer a civil
26 penalty of \$100 plus \$25 for each day in excess of 14 days that the
27 employer fails to give notice. Total penalties under this section may
28 not exceed \$2,500 for each failure to file a required report.

29 (d) If the employer controverts the right to compensation he

1 shall file with the board on or before the 14th day after he has knowl-
2 edge of the alleged injury or death or on or before an installment of
3 compensation payable without an award is due, a notice of controversion
4 on [, IN ACCORDANCE WITH] a form prescribed by the board [, STATING
5 THAT THE RIGHT TO COMPENSATION IS CONTROVERTED, THE NAME OF THE CLAI-
6 MANT, THE NAME OF THE EMPLOYER, THE DATE OF THE ALLEGED INJURY OR
7 DEATH, AND THE GROUNDS UPON WHICH THE RIGHT TO COMPENSATION IS CONTRO-
8 VERTED].

9 (e) If any installment of compensation payable without an award
10 is not paid within 14 days after it becomes due, as provided in (b) of
11 this section, there shall be added to the unpaid installment an amount
12 equal to 20 percent of it, which shall be paid at the same time as, and
13 in addition to, the installment, unless notice is filed under (d) of
14 this section or unless the nonpayment is excused by the board after a
15 showing by the employer that owing to conditions over which he had no
16 control the installment could not be paid within the period prescribed
17 for the payment.

18 (f) If compensation payable under the terms of an award is not
19 paid within 14 days after it becomes due, there shall be added to that
20 [SUCH] unpaid compensation an amount equal to 20 percent of it, which
21 shall be paid at the same time as, but in addition to, the compen-
22 sation, unless review of the compensation order making the award is had
23 as provided in AS 23.30.125 and an interlocutory injunction staying
24 payments is allowed by the court.

25 [(g) WITHIN 16 DAYS AFTER FINAL PAYMENT OF COMPENSATION HAS BEEN
26 MADE, THE EMPLOYER SHALL SEND TO THE BOARD A NOTICE IN ACCORDANCE WITH
27 A FORM PRESCRIBED BY THE BOARD STATING THE FACT THAT FINAL PAYMENT HAS
28 BEEN MADE, THE TOTAL AMOUNT OF COMPENSATION PAID, THE NAME OF THE
29 EMPLOYEE AND OF ANY OTHER PERSON TO WHOM COMPENSATION HAS BEEN PAID,

1 THE DATE OF THE INJURY OR DEATH, AND THE DATE TO WHICH WHICH COMPENSA-
2 TION HAS BEEN PAID. IF THE EMPLOYER FAILS TO SO NOTIFY THE BOARD WITHIN
3 THIS TIME, THE BOARD SHALL ASSESS AGAINST THE EMPLOYER A CIVIL PENALTY
4 IN THE AMOUNT OF \$100.]

5 (h) The board may upon its own initiative at any time in a case
6 in which payments are being made with or without an award, [AND SHALL
7 IN A CASE] where right to compensation is controverted, or where pay-
8 ments of compensation have been increased, reduced, terminated, changed,
9 [STOPPED] or suspended, upon receipt of notice from a person entitled
10 to compensation, or from the employer, that the right to compensation
11 is controverted, or that payments of compensation have been increased,
12 reduced, terminated, changed, [STOPPED] or suspended, make the investi-
13 gations, cause the medical examinations to be made, or hold the hear-
14 ings, and take the further action which it considers will properly
15 protect the rights of all parties.

16 (i) When the board considers it advisable it may require an
17 employer to make a deposit with the Department of Revenue to secure the
18 prompt and convenient payment of the compensation, and payments from
19 the deposit upon an award shall be made upon order of the board.

20 (j) If an employer has made advance payments of compensation, he
21 is entitled to be reimbursed out of any unpaid installment or install-
22 ments of compensation due.

23 (k) An injured employee or in case of death his dependents or
24 personal representative, shall give receipts for payment of compensation
25 to the employer paying it and the employer shall produce them for
26 inspection by the board, whenever required.

27 (l) (repealed)

28 (m) An employer shall file on or before the date one year from
29 the date of injury or upon termination of the claim, whichever is

1 sooner, a report on a form prescribed by the board, showing the total
2 amount of all compensation, medical and related benefits, legal fees,
3 and penalties paid during the period since the injury including the
4 name of the claimant, the date of injury, and the claim number. If the
5 claim is not terminated within one year, subsequent reports shall be
6 made yearly until the termination of the claim.

7 * Sec. 4. AS 23.30.265 is amended by adding a new paragraph to read:

8 (28) "reserve rate" means the unencumbered second injury fund
9 balance on October 31 of each year as a percentage of disbursements
10 from the second injury fund during the 12-month period ending on June 30
11 of the same calendar year.

12 * Sec. 5. AS 23.30.155(g), is repealed.

13 * Sec. 6. The amount of a payment to the second injury fund and the
14 conditions under which a payment is required of an employer or insurance
15 carrier must be in accordance with the version of AS 23.30.040(b) in effect
16 on the date that the injury to the employee occurred.

17 * Sec. 7. Notwithstanding the provisions of AS 23.30.040(b) as reenacted
18 in sec. 2 of this Act, the contribution rate for the second injury fund is
19 six percent from July 1, 1981, until December 31, 1982.

20 * Sec. 8. This Act takes effect on July 1, 1981.
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Introduced: 2/4/81
Referred: Labor & Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 94

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Workers' Compensation
7 Board, and the second injury fund established under
8 the Alaska Workers' Compensation Act; and providing
9 for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 23.30.005(a) is amended to read:

12 (a) The Alaska Workers' Compensation Board shall consist of nine
13 [SEVEN] members, including a southern panel of three members sitting
14 for the first judicial district, a northern panel of three members
15 sitting for the second and fourth judicial districts, [AND] a southcen-
16 tral panel of three members sitting for the third judicial district,
17 and one panel of three members sitting for all judicial districts.

18 Each panel shall include the commissioner of labor or his designated
19 representative, a representative of industry and a representative of
20 labor. The latter two members of each panel shall be appointed by the
21 governor. All panel members are subject to confirmation by a majority
22 of the members of the legislature in joint session.

23 * Sec. 2. AS 23.30.040 is repealed and re-enacted to read:

24 Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a
25 second injury fund, administered by the commissioner of labor. Money
26 in the second injury fund may only be paid for the benefit of those
27 persons entitled to payment of benefits from the second injury fund
28 under this chapter. Payments from the second injury fund must be made
29 by the commissioner of labor in accordance with the orders and awards

1 of the board.

2 (b) If an employee suffers a compensable injury which results in
3 temporary total disability, temporary partial disability, permanent
4 partial disability, or permanent total disability, the employer or in-
5 surance carrier shall pay quarterly into the second injury fund a sum
6 equal to six percent of the compensation to which the employee is
7 entitled for temporary total disability, temporary partial disability,
8 permanent partial disability, permanent total disability, or for re-
9 habilitation under AS 23.30.191.

10 (c) If an employee suffers a compensable injury which results in
11 death and the employee is not survived by a widow, widower, child or
12 dependent relative eligible to receive death benefits under AS 23.
13 30.215, the employer or insurance carrier shall pay \$10,000 to the
14 second injury fund.

15 (d) The board may refund a payment made into the second injury
16 fund if the employer or insurance carrier shows that it made the pay-
17 ment by mistake or inadvertence, or if it shows there existed at the
18 time of the death of the employee a beneficiary entitled to benefits
19 under AS 23.30.215.

20 (e) The board may direct and provide the vocational retraining
21 and vocational rehabilitation of a permanently disabled person whose
22 condition is a result of an injury compensable under this chapter by
23 making cooperative arrangements with insurance carriers, private orga-
24 nizations and institutions, or state or federal agencies. The person
25 being retrained or rehabilitated is entitled to receive compensation
26 from the second injury fund for maintenance during the period of re-
27 training and rehabilitation in the sum which the board considers ne-
28 cessary, not to exceed \$200 a month. The total expenditures for main-
29 tenance, retraining, rehabilitation, and necessary transportation may

1 not exceed \$10,000 for one person.

2 (f) All amounts collected as civil penalties under this chapter
3 must be paid into the second injury fund.

4 (g) The attorney general may investigate claims and hire expert
5 witnesses necessary to prevent fraudulent or excessive claims for
6 money in the second injury fund and, subject to an appropriation for
7 this purpose, may be reimbursed from the second injury fund for the
8 cost of investigating claims and defending against those claims.

9 (h) Administration expenses of the state under this section and
10 AS 23.30.205 must be paid from an appropriation from the second injury
11 fund.

12 (i) The provisions of (b) and (c) of this section do not apply
13 during a calendar year if the unencumbered balance of the second in-
14 jury fund on January 1 is equal to or exceeds \$600,000.

15 * Sec. 3. AS 23.30.045(c) is amended to read:

16 (c) For a person eligible for vocational rehabilitation service
17 under AS 23.15.080 [AND] who is placed with an employer for service
18 [WITHOUT WAGES] at the request of the office of vocational rehabili-
19 tation to give him on the job training, work readiness, [OR] work
20 therapy experience, or work sampling, the liability set out in (a) of
21 this section applies to the state rather than to the employer.

22 * Sec. 4. The amount of a payment to the second injury fund and the
23 conditions under which a payment is required of an employer or insurance
24 carrier must be in accordance with the version of AS 23.30.040(b) in ef-
25 fect on the date that the injury to the employee occurred.

26 * Sec. 5. Section 1 of this Act takes effect immediately in accordance
27 with AS 01.10.070(c).

28 * Sec. 6. Sections 2 - 4 of this Act take effect on July 1, 1981.
29

1HB94

January 19, 1981

Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill amending the Workers' Compensation Act to add two statewide members to the Workers' Compensation Board and provide adequate funding for the second injury fund. The bill also amends the conditions under which the state assumes liability for injuries to a person placed by vocational rehabilitation services.

Sincerely,

S/SSH

Jay S. Hammond
Governor

TASK

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill No. 94
 Title "An Act relating to Workers' Compensation . . ."
 Requested by House Labor & Commerce Committee Date April 27, 1981

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	87.1	97.6	109.3	122.4	137.1
TOTAL	0	87.1	97.6	109.3	122.4	137.1

FUNDING (Thousands of Dollars)

GENERAL FUND		1) 799.4	215.4	232.6	251.2	271.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund		(799.4)	(215.4)	(232.6)	(251.2)	(271.3)
Second Injury Fund 2)	0	87.1	97.6	109.3	122.4	137.1

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1) The FY '82 General Fund request will allow the Fund to meet its outstanding obligations. Because of a shortfall in revenues the Fund has accumulated approximately \$600.0 in unpaid obligations. Failure to pay these obligations as they become due is in violation of AS 23.30.205, which requires the Fund to reimburse the employer/carrier in full for compensation paid to injured workers under certain prescribed conditions. Since enactment of the Second Injury Fund statutes in 1959, total operating costs of the program have been paid from revenues contributed by employers/carriers. During recent hearings held by the Workers' Compensation Study Commission, employers and their carriers voiced strong concern as to why administrative costs of the program are being paid from the Second Injury Fund rather than out of the State General Fund. Present Second Injury Fund statutes provide for payments to be made to the Fund and disbursements to be made from the Fund under certain prescribed conditions. There is no provision however, that addresses the payment of administrative costs.

IV. DATE April 27, 1981 PREPARED BY Nico Bus Finance Officer
 AGENCY Labor
 Original: Legislative Finance PHONE 465-2720
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

This fiscal note reflects the impact on the General Fund and the Second Injury Fund when administrative cost will be paid out of General Funds for FY 1982 through FY 1986.

Assumes an inflation factor of 8%.

Assumes an effective date of July 1, 1981.

- 2) Assumes an annual increase of 20% as a result of the raise in the maximum from \$5,000 to \$10,000 for vocational retraining and rehabilitation benefits.

In the department's estimation, the proposed bill will provide adequate revenue for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill 94
 Title An Act Relating to Workers' Compensation and providing for an effective date.
 Requested by House Labor and Commerce Committee Date 4/27/81

II. FISCAL DETAIL

Agency Affected Workers' Compensation Division, Department of Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Workers' Compensation
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		43.5	47.0	50.8	54.9	59.3
200 TRAVEL		0	0	0	0	0
300 CONTRACTUAL		9.8	10.6	11.5	12.4	13.4
400 COMMODITIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		1.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	55.7	58.7	63.5	68.6	74.1

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	0	55.7	58.7	63.5	68.6	74.1
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	0	2	2	2	2	2
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) (see attached form 13's)

- 1.) Personal Services Cost at current salary and benefit cost (1/1/81).
- 2.) Contractual Services - includes Indirect Cost (Administrative Services), rental space and other.
- 3.) Equipment - one time items to set up the new employees with desk, chair, cabinets and partitions.
- 4.) Assumes effective date July 1, 1981.
- 5.) Inflation factor used 8%, all items.

IV. DATE

4/27/81

PREPARED BY

Michael W. Bas, Finance Officer

AGENCY

LABOR

PHONE

465-2720

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HB 94

1. Position Title Clerk I	Range/Step 6 A	Barg. Unit G	Location Juneau	Approv. Gov.	Disapp.
2. Type of Position DET	Staff Months 12	RP No.	PCN No.	Priority	Form 12 page/line Leg.

3. Type of Expenditure	1	2	3	Amount
Personal Services:				
4. Salary 1249 x 12				14,988
5. Benefits 15.87				2,379
6. FICA .0613				929
7. Health Ins.				1,000
8. Total Personal Services	01			20,086
9. Travel	02			
10. Contractual	03			4,161
11. Commodities	04			500
12. Equipment	05			700
13. Other				
14. Total Cost				25,447

The 4.2 contractual consists of 2.7 space rental and 1.5 indirect (Administrative Services). The .5 commodities is for office supplies; the .7 equipment is a desk and chair.

This position will provide full-time filing and general clerical assistance to the Division. The additional reports required of employers insurance carriers will be distributed and filed by this position. A full-time filing position will allow the filing to be kept current and avoid delays in searching for unfiled reports.

CODE	FUNDING SOURCE	Amount
15.	FED RCPT. 1002	
16.	GF MATCH. 1003	
17.	GEN. FUND 1004	25,447
18.	I-A RCPTS. 1005	
19.	BGM RCPTS 1029	
20.	OTHER	
21. CONTINUATION		
22. ADDITION		

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED DATE _____

BRU Workers' Compensation

PAGE 1 OF EV 82

13 REQUEST FOR NEW POSITION.

COMPONENT Workers' Compensation



1. Position Title	Range/Step	Barg. Unit	Location	Approv.	Osapp.
Data Control Clerk I	9 A	G	DunEAU	Gov.	
2. Type of Position	Staff Months	RD No.	PCN No.	Priority	Form 12 page/line
NET	12				12
3. Type of Expenditure	Amount				
	1	2	3		

4. Salary	1475 x 12	17,700	
5. Benefits	15.87	2,806	
6. FICA	.0612	1,085	
7. Health Ins.		1,800	
8. Total Personal Services	01		23,394
9. Travel	02		-0-
10. Contractual	03		5,526
11. Commodities	04		500
12. Equipment	05		700
13. Other			
14. Total Cost			30,220

The 5.6 contractual consists of 2.7 space rental, 1.7 indirect (Administrative Services) and 1.2 for computer terminal leasing. The .5 commodities is for office supplies. The .7 equipment is a desk and chair.

This position will handle part of the increased workload in the filing and coding units due to the increased reporting requirements of employers' insurance carriers. The information from the additional reports will be entered via computer terminal into our new information handling system. This data will give the Division accurate statistics on all costs of every claim as well as precise computations as to the carrier's change in any claimant payment.

	CODE	FUNDING SOURCE	
15.		FED REPT. 1002	
16.		GF MATCH. 1003	
17.		GEN. FUND 1004	30,220
18.		I-A RCPTS. 1005	
19.		PGM RCPTS 1028	
20.		OTHER	
21.	CONTINUATION		
22.	ADDITION		

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED DATE _____

BRU Workers' Compensation

PAGE 2 OF EV 82

COMPONENT Workers' Compensation

13 REQUEST FOR NEW POSITION.



THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill No. 94
 Title "An Act relating to Workers' Compensation . . ."
 Requested by House Labor & Commerce Committee Date April 27, 1981

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	87.1	97.6	109.3	122.4	137.1
TOTAL	0	87.1	97.6	109.3	122.4	137.1

FUNDING (Thousands of Dollars)

GENERAL FUND		¹⁾ 799.4	215.4	232.6	251.2	271.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund		(799.4)	(215.4)	(232.6)	(251.2)	(271.3)
Second Injury Fund ²⁾	0	87.1	97.6	109.3	122.4	137.1

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1) The FY '82 General Fund request will allow the Fund to meet its outstanding obligations. Because of a shortfall in revenues the Fund has accumulated approximately \$600.0 in unpaid obligations. Failure to pay these obligations as they become due is in violation of AS 23.30.205, which requires the Fund to reimburse the employer/carrier in full for compensation paid to injured workers under certain prescribed conditions. Since enactment of the Second Injury Fund statutes in 1959, total operating costs of the program have been paid from revenues contributed by employers/carriers. During recent hearings held by the Workers' Compensation Study Commission, employers and their carriers voiced strong concern as to why administrative costs of the program are being paid from the Second Injury Fund rather than out of the State General Fund. Present Second Injury Fund statutes provide for payments to be made to the Fund and disbursements to be made from the Fund under certain prescribed conditions. There is no provision however, that addresses the payment of administrative costs.

IV. DATE April 27, 1981 PREPARED BY Nico Bus, Finance Officer
 AGENCY Labor
 Original: Legislative Finance PHONE 465-2720
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

This fiscal note reflects the impact on the General Fund and the Second Injury Fund when administrative cost will be paid out of General Funds for FY 1982 through FY 1986.

Assumes an inflation factor of 8%.

Assumes an effective date of July 1, 1981.

- 2) Assumes an annual increase of 20% as a result of the raise in the maximum from \$5,000 to \$10,000 for vocational retraining and rehabilitation benefits.

In the department's estimation, the proposed bill will provide adequate revenue for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST HOUSE BILL NO. 94 (Page 1 of 4)
 Bill/Resolution No. _____
 Title "An Act Relating to the Alaska Workers' Compensation Board, and the Second. . ."
 Requested by Governor _____ Date 12/29/80

II. FISCAL DETAIL
 Agency Affected Department of Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	34.8	76.6	131.1	201.0	230.1
TOTAL	0	34.8	76.6	131.1	201.0	230.1

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund	0	34.8	76.6	131.1	201.0	230.1

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Projected Fund Balance reports for both current and new legislation are attached.

Also attached is an analytic statement.

IV. DATE January 8, 1981 PREPARED BY *Nico Bus* Finance Officer
 AGENCY Labor
 Original: Legislative Finance PHONE 465-2720
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

The Fund receives no federal or state funding and is supported entirely by contributions made by employers/carriers in compliance with decisions and awards of the Workers' Compensation Board. Under currently existing law, the employer or its insurance carrier is required to pay into the Fund a lump sum equal to eight percent of the total compensation to which the injured worker is entitled for permanent partial disability and \$10,000 in cases of death where the employee is not survived by eligible dependents. This present method of funding does not generate adequate revenues to meet the Fund's current obligations.

Because of a short fall in revenues the Fund has accumulated approximately \$500.0 in unpaid obligations as of December 15, 1980. Failure to pay these obligations as they become due is in violation of As 23.30.205, which requires the Fund to reimburse the employer/carriers in full for compensation paid to injured workers under certain prescribed conditions.

This BRU has submitted a Supplemental Budget request for \$600.0 from General Funds. This will allow the Fund to meet its current obligations for FY '81 and provide for any additional awards that may be made by the Workers' Compensation Board during the remainder of this fiscal year.

In the department's estimation, the proposed bill will provide adequate revenues for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

Second Injury Fund Projected Fund Balance
From FY '81 to FY '86 Under Current Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>June 30 Ending Balance</u>
FY '81	(1) 42.2	617.8	1,260.0	(2) <600.0>
FY '82	<600.0>	(3) 747.6	1,364.0	<1,416.4>
FY '83	<1,416.4>	775.5	1,737.1	<2,378.0>
FY '84	<2,378.0>	811.4	1,929.8	<3,496.4>
FY '85	<3,496.4>	845.4	2,144.5	<4,795.5>
FY '86	<4,795.5>	874.9	2,383.6	<6,304.4>

(1) Minimum Balance of \$10.0 already deducted.

(2) A Supplemental Request for General Funds has been submitted.

(3) Includes past due collections of \$90.2.

Second Injury Fund Projected Fund Balance
From Effective Date to FY '86 Under Proposed Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>June 30 Ending Balance</u>
FY '82	0	1,752.8	1,598.8	154.0
FY '83	154.0	1,904.7	1,813.7	245.0
FY '84	245.0	2,090.0	2,060.9	274.1
FY '85	274.1	2,285.4	2,345.5	214.0
FY '86	214.0	2,404.8	2,613.7	5.1

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB-94

Title an act relating to the Alaska Workers' Compensation Board, and second injury fund.

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Public Protection

BRU, Program, or Subprogram(s) Affected Division of Insurance

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

An Act relating to the Alaska Workers' Compensation Board, and the second injury fund established under the Alaska Workers' Compensation Act; and providing for an effective date.

IV. DATE 2/11/81

PREPARED BY Kenneth C. Moore, Director

AGENCY Division of Insurance

PHONE 465-2515

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)