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COMMITTEE REPORT

HOUSE

2/4/81

FURTHER: FINANCE

(5)

Date: _____

Mr. Speaker:

The Committee on LABOR & COMMERCE has had HB 94

"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."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 94 (LRC) same title
 new title
- and recommends DO NOT PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN



Alaska State Legislature

House of Representatives

Official Business

M E M O R A N D U M

Pouch V
State Capitol
Juneau, Alaska 99811

May 5, 1981

TO: Representative Sam Cotten, Chairman
House Finance Committee

FROM: Representative Vern Hurlbert, Chairman
House Labor and Commerce

RE: HB 94 - Worker's Compensation

The House Labor and Commerce Committee has just passed HB 94 - Worker's Compensation. The bill has a Finance referral and I would appreciate a hearing on the bill just as soon as possible.

Thank you.

A handwritten signature in cursive script, appearing to read "Vern".

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
 PHONE 465-2720
 Original: Legislative Finance
 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 3%.

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.

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. Reed Finance Officer
 AGENCY L.A.B.C.R.
 PHONE 465-2720
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

2.	Type of Position PFT	Staff Months 12	RP No.	PCN No.
3.	Type of Expenditure		Amount	
	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

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	
15.		FED RCPT. 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 25 82

COMPONENT Workers' Compensation

13 REQUEST FOR NEW POSITION.



Type of Position	Staff Months	RP No.	PCN No.
PFT	12		

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	Amount
15.	FED RCPT. 1002	
16.	GF MATCH. 1003	
17.	GEN. FUND 1004	30,220
18.	I-A RCPTS. 1005	
19.	PGM RCPTS 1026	
20.	OTHER	
21. CONTINUATION		
22. ADDITION		

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4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED DATE _____

BRU Workers' Compensation

PAGE 3 OF FY 82

COMPONENT Workers' Compensation

13 REQUEST FOR NEW POSITION.



STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P. O. BOX 1149
JUNEAU, ALASKA 99811

Ph: 465-2700

April 28, 1981

Ken Spray, Administrative Assistant
House Labor and Commerce Committee
Pouch V
Juneau, AK 99811

Dear Mr. Spray:

Enclosed is our proposed committee substitute for House Bill 94.

Sections 1, 2, 3, 4, 5, 6, 7, and 8 of the proposed committee substitute for House Bill 94 correspond to sections 8, 15, 46, 66, 67, 68, 69 and 70, respectively, of House Bill No. 159.

A section by section analysis of the proposed committee substitute is also enclosed, along with the corresponding fiscal notes.

Jacquelyn McClintock, Director of the Workers' Compensation Division, will attend the April 30 hearing to testify on our proposal.

If you have any questions, please call.

Sincerely,

Judy Knight

Judy Knight
Legislative Liaison

Section by Section Analysis

Section 1. This section adds an additional panel to the Alaska Workers' Compensation Board which may sit in any judicial district in the event regular panel members are unable to attend scheduled hearings. Members of the board, except the Chairman or his designees, are citizens appointed pursuant to AS 23.30.005 and at times have scheduling conflicts with their own occupational duties. The amendment will insure that disputed claims are heard expeditiously by a full board panel and will provide the resources to conduct additional board hearings when the workload requires.

Section 2. The repeal and reenactment of AS 23.30.040 is necessary if the second injury fund is to continue to meet its statutory obligations to rehabilitate the injured and disabled worker and to reimburse employers/carriers on subsequent injury claims.

This section expands the base for contributions to the second injury fund and incorporates a contribution schedule which will insure the solvency of the fund. It changes the base for payments to the fund from permanent partial disability to permanent total, permanent partial, temporary total and temporary partial disabilities. Under Section 7, an initial contribution rate of 6 percent is established, which will build reserves before a sliding rate scale takes effect in 1983. It also allows a more realistic maintenance allowance of \$200 a month and total maximum expenditures for retraining to \$10,000 in order to adequately cover the inflationary rise in expenses encountered for rehabilitation or retraining. The section also transfers the administrative expenses of the state from the resources of the second injury fund to the general fund.

Section 3. The amendments in AS 23.30.155 are administrative "housekeeping" changes to enable the Division and Board to streamline the prompt processing of claims and provide current and accurate claim status information and injury statistical data to the public and private sectors. This section 1) clarifies a controverted claim and the requirements under which a notice of controversion must be filed; 2) requires notice be filed with the board whenever payment of compensation has begun, terminated or changed and provides penalties for failure to file such notice; and 3) requires periodic reporting of all payments made on claims which will be used to provide the public and private sectors with current and accurate injury statistical data.

- Section 4. This section is amended to include a definition for the term "reserve rate" as used in Section 2.
- Section 5. This section repeals provision AS 23.30.155(g) due to proposed legislation.
- Section 6. This section clarifies that the amount of payment to the second injury fund and the conditions under which payment is required, is in accordance with the version of AS 23.30.040(b) that was in effect on the date of injury to the employee.
- Section 7. This section establishes an initial contribution rate of 6 percent beginning July 1, 1981 and ending December 31, 1982, which will build reserves before a sliding rate scale takes effect in 1983.
- Section 8. This section provides for an effective date for the bill of July 1, 1981.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

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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)

	1)	2)				
GENERAL FUND	600.0	199.4	215.4	232.6	251.2	271.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund	(600.0)	(199.4)	(215.4)	(232.6)	(251.2)	(271.3)
Second Injury Fund 3)		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 '81 General Fund request will allow the Fund to meet its outstanding obligations for the fiscal year. 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.
- 2) 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%.

- 3) 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.

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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)

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100 PERSONAL SERVICES		43.5	47.0	50.8	54.0	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)

GENERAL FUND	0	55.7	58.7	63.5	68.6	74.1
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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 Nicolas W. Bas, 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	Approv. Gov.	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	3
4.	Personal Services:	
5.	Salary 1249 x 12	14,988
6.	Benefits 15.87	2,379
7.	FICA .0613	919
8.	Health Ins.	1,800
9.	Total Personal Services 01	20,086
10.	Travel 02	
11.	Contractual 03	4,161
12.	Commodities 04	500
13.	Equipment 05	700
14.	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	
15.		FED RECPT. 1002	
16.		GF MATCH. 1003	
17.		GEN. FUND 1004	25,447
18.		I-A RCPTS. 1005	
19.		PGM RCPTS 1028	
20.		OTHEP	
21.	CONTINUATION		
22.	ADDITION		

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4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

REVISED DATE _____

BRU Workers' Compensation

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COMPONENT Workers' Compensation

13 REQUEST FOR NEW POSITION.

11

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.

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	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		

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4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Labor

PROGRAM Worker Protection

BRU Workers' Compensation

COMPONENT Workers' Compensation

REVISED DATE _____

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13 REQUEST FOR NEW POSITION.

