

HB538

SENATE FINANCE COMMITTEE REPORT

DATE: 5/12/92

FURTHER:

DATE TURNED INTO OFFICE: 5-12-92

The Finance Committee considered CS FOR HOUSE BILL NO. 538 (FINANCE) am

"An Act relating to workers' compensation benefits for fire fighters; and providing for an effective date."

and recommends:

- replace with 5 CS CS HB 538 (FINANCE)
or adopt previous _____ CS _____
 attaches amendment(s)

- same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

zero fiscal notes Dolohol 3-26-92

fiscal notes _____

DO PASS:

OTHER RECOMMENDATIONS:

1. [Signature]
Co-Chair: Signature/Recommendation

2. [Signature]
Co-Chair: Signature/Recommendation

FISCAL NOTE

No 2

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO : BI 'ersion: CSHB 538(HES)
(H) Publish Date: 4-6-92

Revision Date: _____
Title: "An Act relating to workers' compensation ... for firefighters ..."
Sponsor: Representative Ellis
Requestor: House HES

Department Affected: Labor
BRU: Workers' Compensation
Component: Workers' Compensation
COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Linda Rexwinkel, Director *LR* Phone: 465-2790
Division: Workers' Compensation Date: 3/26/92
Approved by Commissioner: C. W. Mahlen *CW Mahlen*
Agency: Department of Labor 3/26/92 Date: 3/26/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

COMMITTEE COPY

FN to Labor

SENATE CS FOR CS FOR HOUSE BILL NO. 538 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES ELLIS, Donley, Finkelstein, Koponen, Gruenberg, B.Davis, Moyer, Bruckman, Foster

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to workers' compensation benefits for fire fighters; and providing for an
2 effective date."

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

4 * Section 1. AS 23.30.243 (a) is amended to read:

5 (a) For the purposes of workers' compensation any injury, disability or death incurred by
6 a fire fighter by reason of the fire fighter's participation in training, proceeding to or engaging
7 in a fire suppression or rescue operation, or the protection or preservation of life or property,
8 anywhere in the state is considered to have arisen out of and been sustained in the course of
9 employment, and the fire department or regularly organized volunteer fire department of the fire
10 fighter's primary employment or registration is considered to be the employer, except when the
11 injured, at the time of injury or death, is acting for compensation from another.

12 * Sec. 2. This Act takes effect July 1, 1992.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB 538 (FINANCE) am

Revision Date: _____
Title: An Act relating to workers' compensation and occupational disability benefits for fire fighters
Sponsor: Ellis, Donley, Finkelstein, Koponen, et al
Requestor: _____

Department Affected: Administration
BRU: Risk Management
Component: Risk Management

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	800.0	1,000.0	1,200.0	1,400.0	1,700.0	2,000.0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	800.0	1,000.0	1,200.0	1,400.0	1,700.0	2,000.0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE: 1007	800.0	1,000.0	1,200.0	1,400.0	1,700.0	2,000.0
TOTAL	800.0	1,000.0	1,200.0	1,400.0	1,700.0	2,000.0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)
This CS materially broadens coverage and increases fiscal exposure. See attached.

Prepared by: Don Hitchcock, Director
Division: Risk Management

Phone: 465-2180
Date: May 11, 1992

Approved by Commissioner: Nancy Bear Usera
Agency: Administration

Date: 5/12/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB 538 (FINANCE) am

ANALYSIS:

CSHB 538 (Finance) creates a very broad presumption that any form of heart or respiratory disease or cancer affecting an individual with more than five years of firefighting exposure arises from their work experience. This presumption is further expanded to apply for an unlimited period of time. The terms "heart disease, respiratory disease and cancer" are very broad and will be construed to extend this presumption such that any form of the many variations of these diseases will be deemed caused by firefighting rather than personal exposures or other work experience.

The fiscal impact of this bill is difficult to estimate as it will extend not only to the 175 regular full-time firefighters employed by the State, but also to the 130 regular seasonal firefighters engaged by the Department of Natural Resources (average of 5.3 months per year) and possibly to the 600-800 emergency firefighting crews that are hired for anywhere between 3 weeks to 2 months a year.

Effectually this bill would also add about 4,000 nonstate employees to the State workers' compensation roll of 14,000 plus. This is an increase of almost 30 percent all of whom are engaged in a more hazardous occupation.

Conservative cost estimates (medical and wage loss) range between \$240,000 and \$400,000 for each potential permanent disability claim. We project future claims to increase each year due to the very broad language and unlimited extensions. Even by very conservative estimates we anticipate several long-term cases in the early years, with ever increasing obligations even beyond our five-year projection.

CSHB 538 (Finance) materially broadens coverage in that it removes the necessity of a preliminary link between employment and injury and would simply provide lifetime workers' compensation benefits for certain diseases irrespective of any other employment or exposures during the firefighters lifetime. This CS also acts as a disincentive for the volunteer fire departments to purchase available workers' compensation insurance since the bill states "the State shall be considered the employer for purposes of this chapter."

Other important considerations are as follows:

Practically the State has always considered and accepted bonafide training exercises as a covered activity. Presently any firefighter employed by the state injured while participating in a training exercise has been provided coverage by the state. If all volunteers become employees of the state it may be difficult to determine the validity of claims that are alleged to be incurred in training activities as we have no operational control or monitoring of the activities of the volunteer organizations.

This CS creates a very large potential fiscal impact to the state. This amendment makes the state the employer for almost all volunteer firefighters in this state. Only those volunteers in a "municipality" would be exempt. Whether this label would apply to local cities and boroughs is an open question. Taken literally it may only exclude the Municipality of Anchorage.

We checked with the Department of Public Safety, Division of Fire Prevention who estimate that there are 5,000 organized volunteer firefighters in the state. Only 3,560 are currently registered with their office. Only 500 of those registered are within Anchorage, Fairbanks and Juneau. Even if the definition of "municipality" is broadly interpreted to extend to even smaller cities, it is evident that the majority of the volunteers are in the remote rural areas.

The injured rural area volunteer claims are potentially more costly as it will be more difficult for the state to verify if the injury actually occurred on the job (the first notice will be on receipt of a claim). Under the present act we are obligated to pay disability benefits calculated on the wages of a full-time paid fireman, AS 23.30.220 (4), until the volunteer is able to return to other employment with similar wage earning capacity. In rural areas where there are very limited employment opportunities with comparable wages disability may continue for long periods.

We cannot estimate with any accuracy what the full impact of this CS will be without complete information of the number of volunteers and until we are able to review loss experience records of each volunteer unit.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB 538 (FINANCE) am

As a matter of information, these same volunteers are able to obtain workers' compensation insurance coverage from the assigned risk pool at an estimated annual premium cost of \$128 per volunteer. Normally workers' compensation premiums are assessed against monthly payrolls. In the case of a volunteer firefighter, the manual rate of \$6.41 is assessed against an assumed annual salary of \$2,000. Taking the annual rate of \$128 times an assumed population of say 4,000 volunteers assumed to be outside of the "municipality" would generate annual premium costs of over \$512,000.

In this fiscal note we have simply added the cost of workers' compensation insurance to the previous fiscal note.

Since Division of Risk Management claims funds are collected entirely through interagency receipts, if this bill is enacted premium allocations to the employing agencies would be increased to meet this additional exposure. Workers' Compensation benefits for State employees are entirely self insured.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

No. 1
Bill Version: CSHB 538 (HES)
(H) Publish Date: 3-6-92

Revision Date: _____
Title: An Act relating to workers' compensation and occupational disability benefits for fire fighters
Sponsor: Ellis, Donley, Finkelstein
Requestor: _____

Department Affected: Administration
BRU: Risk Management
Component: Risk Management

COMPONENT SERIAL NO.

0	0	7	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	300.0	500.0	700.0	900.0	1,200.0	1,500.0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	300.0	500.0	700.0	900.0	1,200.0	1,500.0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

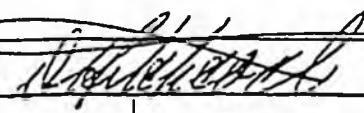
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE: 1007	300.0	500.0	700.0	900.0	1,200.0	1,500.0
TOTAL	300.0	500.0	700.0	900.0	1,200.0	1,500.0

POSITIONS:

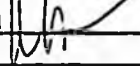
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)
See Attached.

Prepared by: Don Hitchcock, Director 
Division: Risk Management

Phone: 465-2180
Date: February 28, 1992

Approved by Commissioner: Nancy Bear Usera 
Agency: Administration

Date: 3/24/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FEN 300.0 Administration

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 538

ANALYSIS:

HB 538 creates a new and very broad presumption that any form of heart or respiratory disease or cancer affecting an individual with more than five years of fire fighting exposure arises from their work experience. This presumption is further expanded to apply for an additional 20 years beyond the last date the individual was employed as a fire fighter.

The terms "heart disease, respiratory disease and cancer" are very broad and will be construed to extend this presumption such that any form of the many variations of these diseases will be deemed caused by work rather than personal exposures.

The fiscal impact for this bill is difficult to estimate as it will extend not only to the 175 regular full-time fire fighters employed by the State, but also to the 130 regular seasonal fire fighters engaged by the Department of Natural Resources (average of 5.3 months per year) and possibly to the 600-800 emergency fire fighting crews that are hired for anywhere between 3 weeks to 2 months a year.

Conservative cost estimates (medical and wage loss) range between \$240,000 and \$400,000 for each potential permanent disability claim. We project future claims to increase each year due to the very broad language and 20-year extension period. Even by very conservative estimates we anticipate several cases in the early years, with ever increasing obligations even beyond our five-year projection.

Since the Division of Risk Management claims funds are collected entirely through interagency receipts, if enacted premium allocations to the employing agencies would be increased to meet this additional exposure.