

**HB**

**378**

# FISCAL NOTE

No: 4

Bill Version: HB 378

(H) Publish Date: 2/16/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title: "An Act eliminating certain taxes under AS 21.09 on premiums from the sale"  
 Sponsor: Rules  
 Requestor: Governor

Department Affected: Labor  
 BRU: Labor Standards and Safety  
 Component: Occupational Safety and Health  
 COMPONENT SERIAL NO. 970

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

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

OPERATING	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
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**FUNDING: (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match		(1,131.1)	(1,131.1)	(1,131.1)	(1,131.1)	(1,131.1)
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (New Fund)		1,131.1	1,131.1	1,131.1	1,131.1	1,131.1
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY00) impact: \$ 0.0

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

See attached

Prepared by: Alan Dwyer, Director Phone: 465-2790  
 Division: Labor Standards and Safety Date/Time: 1/31/00 1:07 PM

Approved by Commissioner: Ed Flanagan, Commissioner  
 Agency: Department of Labor Date: 1/31/00

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## FISCAL NOTE

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**Title:** An Act eliminating certain taxes under AS 21.09 from the sale of worker's compensation insurance; relating to the establishment, assessment, collection, and accounting for service fees for state administration of workers' compensation and worker safety programs; establishing civil penalties and sanctions for late payment or nonpayment of the service fee; and providing for an effective date.

The bill would eliminate the 2.7% tax paid on workers' compensation insurance premiums under AS 21.09.150(b), and would replace it with an annual service fee. The annual service fee is to be paid by all insurers who provide workers' compensation insurance as well as those employers who are self-insured or uninsured.

The fee shall be paid each year to the department at the time that the annual report is required. This suggests that initial payments shall be received by the department in March, 2001 with funding available for appropriation to the workers' compensation program on July 1, 2001 (state fiscal year 2002).

For those insurers who provide workers' compensation insurance, the service fee is the following percentage of all payments reported to the Alaska Workers' Compensation Board under AS 23.30.155(m) or (n):

- (1) for payment due in 2001: 3.3 percent;
- (2) for payment due in 2002: 3.1 percent;
- (3) for payment due in 2003: 2.9 percent;
- (4) for payment due in 2004 and subsequent years: 2.6 percent

Other employers who are self-insured under AS 23.30.090 shall pay instead an annual service fee as follows, calculated according to the provisions of AS 23.05.067:

- (1) for payment due in 2001, 25 percent of the amount calculated for the service fee;
- (2) for payment due in 2002, 50 percent of the amount calculated for the service fee;
- (3) for payment due in 2003, 75 percent of the amount calculated for the service fee; and
- (4) for payment due in 2004 and subsequent years, 100 percent of the amount calculated for the service fee .

This fee would be deposited into a workers' safety and compensation administration account, and would be available, through appropriation, to fund the expenses incurred by the state in administering the occupational safety and health program. During the four-year phase-in period, this appropriation would replace the unrestricted general fund match appropriation which currently funds a portion of the cost of the state's occupational safety and health program.

The bill provides penalties for late payment of the fee, and amends AS 37.05.146(b)(4) to ensure that the receipts in the new account are accounted for separately and that appropriations from the account are not made from the unrestricted general fund.

The Division of Labor Standards and Safety does not anticipate any additional need for staff to administer this fee collection program.

# FISCAL NOTE

No: 3

Bill Version: HB 378

(H) Publish Date: 2/16/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title: "An Act eliminating certain taxes  
under AS 21.09 on premiums from the sale"  
 Sponsor: Rules  
 Requestor: Governor

Department Affected: Labor  
 BRU: Workers' Compensation  
 Component: Workers' Compensation

COMPONENT SERIAL NO. 344

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

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

OPERATING	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
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**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		(2,367.1)	(2,367.1)	(2,367.1)	(2,367.1)	(2,367.1)
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (New Fund)		2,367.1	2,367.1	2,367.1	2,367.1	2,367.1
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY00) impact: \$ 0.0

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

See attached

Prepared by: Paul Grossi, Director *Paul Grossi*  
 Division: Workers' Compensation

Phone: 465-2790  
 Date/Time: 1/28/00 3:45 PM

Approved by Commissioner: Ed Flanagan, Commissioner  
 Agency: Department of Labor *Ed Flanagan*

Date: 1/28/00

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## FISCAL NOTE

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**Title:** An Act eliminating certain taxes under AS 21.09 from the sale of worker's compensation insurance; relating to the establishment, assessment, collection, and accounting for service fees for state administration of workers' compensation and worker safety programs; establishing civil penalties and sanctions for late payment or nonpayment of the service fee; and providing for an effective date.

The bill would eliminate the 2.7% tax paid on workers' compensation insurance premiums under AS 21.09.150(b), and would replace it with an annual service fee. The annual service fee is to be paid by all insurers who provide workers' compensation insurance as well as those employers who are self-insured or uninsured.

The fee shall be paid each year to the department at the time that the annual report is required. This suggests that initial payments shall be received by the department in March, 2001 with funding available for appropriation to the workers' compensation program on July 1, 2001, FY2002.

For those insurers who provide workers' compensation insurance, the service fee is the following percent of all payments reported to the Alaska Workers' Compensation Board under AS 23.30.155(m) or (n):

- (1) for payment due in 2001. 3.3 percent:
- (2) for payment due in 2002. 3.1 percent:
- (3) for payment due in 2003. 2.9 percent
- (4) for payment due in 2004 and subsequent years. 2.6 percent

Other employers who are self-insured under AS 23.30.090 shall instead pay an annual service fee of the following amounts in the following years:

- (1) for payment due in 2001, 25 percent of the amount calculated for the service fee under AS 23.05.067;
- (2) for payment due in 2002, 50 percent of the amount calculated for the service fee under AS 23.05.067;
- (3) for payment due in 2003, 75 percent of the amount calculated for the service fee under AS 23.05.067; and
- (4) for payment due in 2004 and subsequent years, 100 percent of the amount calculated for the service fee under AS 23.05.067.

This fee would be deposited into a workers' safety and compensation administration account, and would be available, through appropriation, to fund the expenses incurred by the state in administering the workers' compensation program under AS 23.30. During the four-year phase-in period, this appropriation would replace the unrestricted general fund appropriation which currently funds a portion of the cost of the state's workers' compensation program.

The bill provides penalties for late payment of the fee, and amends AS 37.05.146(b)(4) to ensure that the receipts in the new account are accounted for separately and that appropriations from the account are not made from the unrestricted general fund.

The Division of Workers' Compensation does not anticipate any additional need for staff to administer this fee collection program.

# FISCAL NOTE

Bi. Jersion: HB 378

(H) Publish Date: 2/16/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Community & Economic Development  
 Title An act eliminating certain taxes under AS 21.09 on BRU Insurance  
premiums from the sale of workers' compensation insurance. . . Component Insurance  
 Sponsor Rule Committee  
 Requester Governor Component No. 354

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

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>CHANGE IN REVENUES ( )</b>	<b>(3,498.2)</b>	<b>(3,498.2)</b>	<b>(3,498.2)</b>	<b>(3,498.2)</b>	<b>(3,498.2)</b>	<b>(3,498.2)</b>

**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: \_\_\_\_\_

**POSITIONS**

Full-time	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Part-time						
Temporary						

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

The bill will result in the elimination of tax receipts from workers' compensation premiums currently collected by the Division of Insurance. Under the bill a service fee charged by the Department of Labor and Workforce Development against workers' compensation claims payments and costs will result in fee receipts that are estimated to offset the foregone tax receipts, when the amount generated from self-insured claims is included. The loss in revenue shown above equals the amount the Department of Labor and Workforce Development estimates it will receive in fee receipts.

Prepared by: Robert A. Lohr  
 Division Insurance  
 Approved by Commissioner Deborah B. Sedwick  
 Agency Community & Economic Development

Phone 269-7900  
 Date/Time 2/2/00 12:24 PM  
 Date 2/2/00

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# FISCAL NOTE

Bill Version: HB 378  
 (H) Publish Date: 2/16/00

## STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date	1/27/00	Dept. Affected	Administration
Title	"An act relating to the establishment, assessment, collection and accounting for service fees for the administration of workers' compensation and workers' safety programs....."	BRU	Risk Management
Sponsor	Rules Committee	Component	Risk Management
Requester	Governor	Component No.	71

### Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	75.8	142.4	199.9	238.9	238.9	238.9
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>75.8</b>	<b>142.4</b>	<b>199.9</b>	<b>238.9</b>	<b>238.9</b>	<b>238.9</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 I/A Receipts	75.8	142.4	199.9	238.9	238.9	238.9
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>75.8</b>	<b>142.4</b>	<b>199.9</b>	<b>238.9</b>	<b>238.9</b>	<b>238.9</b>

Estimate of any current year (FY2000) cost: 0

### POSITIONS

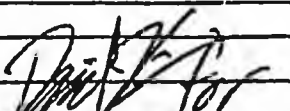
Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

This legislation creates an increased expense to Risk Management operating costs for a new administrative assessment fee beginning in 2001.

Applying the proposed rate schedule to the average of the five most recent fiscal years workers' compensation experience (\$9,191,125) estimated costs are projected, although future loss experience will determine actual costs incurred.

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

Prepared by:	Brad Thompson, Director	Phone	465-5723
Division	Risk Management	Date/Time	1/27/00
Approved by Commissioner	Robert Poe 	Date	1/27/00
Agency	Administration		

TONY KNOWLES  
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governor@gov.state.ak.us

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 11, 2000

The Honorable Brian Porter  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Porter:

The state's workers' compensation and worker safety programs in the Department of Labor and Workforce Development provide important benefits and services to employees and employers throughout Alaska. Successive budget cuts to the department have threatened the viability of these programs to the point that a takeover of the safety program by the federal government is a distinct possibility.

Federal management of our occupational health and safety program is unacceptable to me and to most employers and employees in Alaska. The bill I am introducing changes the way in which these programs are funded to ensure these services to Alaskans are put back on firm footing.

These programs are currently paid for with general funds. The costs roughly equate to the amount of money the state collects from the tax on workers' compensation insurance premiums.

The programs clearly benefit all employers, but only those employers who purchase workers' compensation insurance are taxed. Larger self-insured employers pay no tax. This bill more equitably spreads the cost/benefit structure of worker safety programs by eliminating the premium tax and replacing it with a fee for all employers based on a percentage of their individual workers' compensation claims.

The fees would be accounted for separately and deposited into a worker safety and compensation account. The money in the account would be treated as designated program receipts available for appropriation to the workers' compensation and safety programs. The bill provides for a four-year phase-in of the fees to minimize the impact on those self-insured employers who currently pay no tax. The new fee system is designed to raise the same

The Honorable Brian Porter

February 11, 2000

Page 2

amount of money as the current tax. Because the new system would spread costs among more employers, those employers currently paying the premium tax would realize a decrease in their payments.

This bill offers a fair, effective way of ensuring continued funding for vital worker protection programs. I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles". The signature is written in a cursive style with a large initial "T".

Tony Knowles  
Governor

## HOUSE BILL 378/SENATE BILL 272

*"An act eliminating certain taxes under AS 21.09 on premiums from the sale of workers' compensation insurance; relating to the establishment, assessment, collection, and accounting for service fees for state administration of workers' compensation and worker safety programs; establishing civil penalties and sanctions for late payment or nonpayment of the service fee; and providing for an effective date."*

### What it does:

1. **Provides a stable funding source for the Division of Workers Compensation (DWC) and Occupational Safety and Health (OSH).** HB 378 replaces general funds (GF) for DWC and OSH with non-GF designated program receipts and establishes a special workers' safety and compensation administration account.
2. **Creates a means of funding the two programs that is fair and equitable to all employers, regardless of whether they have purchased workers' compensation or are self-insured.** Currently, only those employers that purchase workers' compensation insurance policies pay a premium tax through their carriers. Self-insurers pay nothing. HB 378 eliminates the premium tax and enacts a user fee, charged equally among all users of the two systems.
3. **Provides an economic incentive to employers to create a safe workplace.** The user fee is based on a percentage of workers' compensation claim payments. The fewer accidents an employer has in the workplace, the less they pay for workers' compensation claims. Therefore, the less they pay for claims, the lower the user fee.

### Why support HB 378/SB 272?

Successive budget cuts have threatened the very existence of workers' compensation and safety programs. Last year the Legislature (House) eliminated OSH from their budget, and a federal takeover became a distinct possibility. While OSH was put back into the budget in the Senate side, DWC took a large cut which further reduced services to injured workers and employers, primarily through longer waiting time for hearings. By leveling the playing field and changing the way these programs are funded, continuation of these critical benefits and services to Alaskans will be ensured.

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FEB 22 2000

## House Bill 378/Senate Bill 272 Analysis

The legislation's intent is to enact a fee on all workers' compensation payments to establish an account for the administration of the workers' compensation program and the Occupational Safety and Health program, and to reduce those programs' reliance on general fund revenues.

### **HB 378/SB 272:**

- Eliminates the premium tax and establishes a fee for service for funding the Workers' Compensation Division and the state match for the Occupational Safety and Health program.
- Reduces the reliance of these programs on general fund revenue.
- Sets out a funding mechanism for the two programs that is fair and equitable to all employers, regardless of whether they purchase a workers' compensation policy or are large enough to self-insure. The payment of the fee is charged equally among all users of the two systems according to their use and need. The fee is based on a percentage of the dollar amount of claims paid under the workers' compensation system. Currently, only those purchasing a workers' compensation policy pay a premium tax. Self-insurers do not pay any type of fee or tax regarding workers' compensation.
- Provides an incentive for safer work places. The fewer accidents that employers have in the workplace, the less they pay for workers' compensation claims. The less those employers or their insurance companies pay for workers' compensation claims, the lower the user fee.

Section 1 amends AS 21.09.150(a) to establish the authority of the Director of Insurance over insurers regarding the new annual user fee. Currently, this type of regulation governs premium taxes.

Section 2 amends AS 21.09.210(b) to exclude workers' compensation insurance from premium taxes.

Section 3 amends AS 21.09.210(e) to provide that the service fee is in lieu of all tax on workers' compensation insurance premiums.

**Section 4 amends AS 21.09.210(n)** to clarify the meaning of workers' compensation insurance for purposes of eliminating its premium tax.

**Section 5 amends AS 21.09.270(b)** to exempt the annual user fee from the "retaliation" provision of AS 21.09.270(a).

**Section 6 amends AS 23.05** by adding a new section for an annual user fee to be charged to all insurers and employers at a rate of 3.3 percent in 2001, 3.1 percent in 2002, 2.9 percent in 2003 and 2.9 percent in 2004 and all years thereafter. The rate declines through 2004 as payments by self-insured employers are phased in. (See Section 9.)

It allows for fees due under the terms of a large lump settlement (\$50,000 or more) to be paid over a five year period. This section also provides for penalties for late payment of the annual service fee.

**Section 7 amends AS 23.30.090** to consider payment of the annual service fee as a factor for certification of a self-insurer.

**Section 8 amends AS 37.05.146(b)(4)** to establish a special workers' safety and compensation administration account.

**Section 9** allows for the phase-in of self-insurers and joint insurance arrangements. The phase-in would be over a four-year period starting in 2001 at 25 percent of the fee and going up 25 percent each succeeding year until the self-insurers pay 100 percent of the fee. These entities currently do not pay a premium tax, but would pay the user fee.

**Section 10** allows for the promulgation of regulations to implement the new user fee.

**Section 11** provides for immediate effective date to promulgate regulations to implement the new user fee.

**Section 12** provides for an effective date of January 1, 2001.



**ALASKA MUNICIPAL LEAGUE  
JOINT INSURANCE ASSOCIATION, INC.  
Claims Department - Fax Cover Sheet**

Anchorage Office:  
807 G Street, Ste. 356  
Anchorage, Alaska 99501  
(907) 258-2821  
(907) 258-2823 FAX

Juneau Office:  
217 Second Street, Suite 200  
Juneau, Alaska 99801  
(907) 586-3222  
(907) 463-5480

**Date:** 03/01/2000  
**From:** Leandra D. Estep  
Workers' Comp. Claims Manager  
**To:** Rep. Norman Rokeberg, Chair, House Labor & Commerce  
Committee  
**Fax #:** 465-2040  
**# of Pages:** 1 including cover sheet  
**RE:** House Bill 378

**MESSAGE:**

Please consider this an addendum to Kevin Smith's letter of this same date regarding House Bill 378.

We are asking for clarification on the assessment of a "User Fee" on any Excess and Reinsurance coverage. The AMLJIA purchases Reinsurance to provide coverage for losses that require payments that will exceed \$250,000.00 per claim. Currently the Reinsurer pays the "Premium Tax". If HB 378 goes into affect, the Reinsurer will be relieved of their obligation to pay the "Premium Tax" but the AMLJIA will still owe the "User Fee". Once a claim exceeds the \$250,000.00 retention level, we receive reimbursement from our Reinsurance carrier. How would allowance for the "User Fee" be separated out between the Self-Insurer, Commercial Insurance Co and their Reinsurer or Excess carrier?

Secondly, the allowance for recoveries received back from third party subrogation should be addressed and allowed for. If a workers' compensation claim arises as the result of a third parties negligence, we have the right of recovery from that third party. The recovery process typically does not occur until the workers' compensation claim is concluded. Therefore the AMLJIA (as well as other insurers, etc.) has already paid a "User Fee" on all payments made on the claim prior to any recovery.

Thank you for your attention to these matters and please feel free to contact me at (800)337-3682 if you have any questions regarding either of these issues.

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MAR 01 2000



**ALASKA MUNICIPAL LEAGUE  
JOINT INSURANCE ASSOCIATION, INC.  
Claims Department - Fax Cover Sheet**

Anchorage Office:  
807 G Street, Ste. 356  
Anchorage, Alaska 99501  
(907) 258-2821  
(907) 258-2823 FAX

Juneau Office:  
217 Second Street, Suite 200  
Juneau, Alaska 99801  
(907) 586-3222  
(907) 463-5480

**Date:** 03/01/2000  
**From:** Leandra D. Estep  
Workers' Comp. Claims Manager  
**To:** Rep. Norm Rokeberg, Chair, House Labor & Commerce  
Committee  
**Fax #:** 465-2040  
**# of Pages:** 4 including cover sheet  
**RE:** House Bill 378

**MESSAGE:**

Attached is a letter from Kevin Smith, Risk Manager of the Southeast branch of the AML/JIA for your consideration.

HB378

**Alaska Municipal League Joint Insurance Association, Inc.**

- 217 Second Street, Suite 200 • Juneau, Alaska 99801 • Phone (907) 586-3222 • Fax (907) 463-5480

**MEMORANDUM**

**Date:** March 1, 2000

**From:** Kevin Smith, Risk Manager *Kevin*

**To:** Rep. Norm Rokeberg, Chair, House Labor & Commerce Committee

**REGARDING:** HB378

Thank you for the opportunity to testify before the House Labor & Commerce Committee February 28. It is still the position of the Alaska Municipal League (AML) and the Alaska Municipal League Joint Insurance Association (AML/JIA) that public entities, especially municipalities, school districts, and joint insurance arrangements organized under AS21.76 be excluded from the bill. In the interests of maintaining the most cost-effective, efficient risk financing for Alaska's citizens, it seems reasonable to consider excluding their public agencies from the taxes proposed in HB378.

While it is true that public entities also use the Alaska Workers' Compensation Board (AWCB) and AK-OSH, it may not be at a rate comparable to the private sector. For example, the AML/JIA's 1999 Annual Report to the Division of Workers' Compensation shows a controversion rate of only 0.05 percent of all workers' compensation claims we handle. With respect to AK-OSH services, the AML/JIA provides loss control services to its 141 public entities comparable to AK-OSH's voluntary compliance program. Unless there is an increase in services, the AML/JIA sees no reason to cost-shift from the private insurance industry to the public sector at a time when local government entities are struggling for their survival.

The zero fiscal note accompanying this bill provides no reason to anticipate any improvements in the current backlog of hearing dates and claims handling. If the bill is revenue neutral, as the fiscal note indicates, then additional services may not be possible and the AML/JIA can see no reason to change the existing formula.

If you do not find this reasoning compelling, however, there are some points the AML/JIA would propose the committee consider before you send this bill on to the next committee of referral.

The bill proposes to tax all payments made on behalf of injured workers, including vocational specialist fees (to include monitoring the worker during the vocational rehabilitation plan and tuition costs), medical benefits, defense costs, injured worker attorney fees, any interest paid on a claim as well as any payments reported in category #21 of the Annual Report to the AWCB which is marked as

1

Or E-mail at: [kevins@jnu.amllia.org](mailto:kevins@jnu.amllia.org)Visit our Web Site at: <http://www.amllia.org>

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"other." The "other" category would include adjusting fees paid to an independent adjusting agency for investigation of subrogation, recorded interviews of witnesses, or any potential claims handling. This category would also include photocopying expenses and court reporters or any other payments made that do not specifically fit within the other 20 categories listed on the Annual Report.

Payment of a "User Fee" on Medical Only claims would not be reasonable since these particular claims do not burden or bog-down the system. Medical Only claims significantly contribute to our safety programs in that they serve as a warning system of where potential problems lie. "Frequency breeds Severity." Medical Only claims make up just over 2/3 of our total claims, as is the case for most employers/carriers. If HB378 is approved, then perhaps a separate, lower "User Fee" should be imposed on these type of claims.

It seemed that a large majority of the testimony heard on February 28, focused on the idea that this bill would ensure an Alaska based Occupational Safety & Health Administration. However, this bill cannot exclusively dedicate the "User Fee" to the AWCB and OSHA. Again, there is no reason to believe there would be an increase of services or retention of OSHA. Essentially, we would be paying additional funds to simply maintain the current level of service we have.

There would be less incentive, from an already largely claimant oriented Workers' Compensation Board, to give favorable decisions to employers since this would guarantee the division additional revenue. This would indicate a "conflict of interest".

The AML/JIA is successful, in part, due to good planning. Our rates are set well in advance, have already been negotiated and quotes sent to some members for the FY2001 fiscal year. It will be impossible to recoup the tax increase through premiums until July 1, 2002. The AML/JIA requests that the effective date be changed to July 1, 2002, or January 1, 2003, in order to provide joint insurance arrangements with adequate time to properly budget for the increased taxes proposed in this bill. Since commercial insurance companies would be seeing a decrease in taxes under this proposal, the effective date may not be an issue for them. However, we feel that the "User Fee" should only be assessed on claims generated within a calendar year and that fees should not be assessed on claims occurring in prior years. For commercial insurance companies, those premiums have already been taxed and this would make it impossible for prior premiums to be adjusted if a fee is continuing to be paid on claims that occurred in prior years and especially in the case where a particular employer is no longer insured with the same commercial carrier or joint insurance arrangement. The answer to this problem would be to assess a "User Fee" on claims generated in each calendar year only.

In summary, the AML and the AML/JIA would encourage you to exclude public entities from the provisions of this bill. The cost-shifting from the private insurance industry to the public sector could not come at a worse time. That failing, please consider revising the measure as suggested above.

Prior to and since the hearing held on February 28, the above issues have been discussed with the Municipality of Anchorage Risk Manager, Glen Smith and he concurs with these views and statements as were represented in his earlier testimony on February 28 before the committee.

Unfortunately, I will be out of town for the remainder of the week. Should you have questions, I would invite you to call Leandra Estep, our workers' compensation manager at 800-337-3682. She

Or E-mail at: [kevins@lgu.amljia.org](mailto:kevins@lgu.amljia.org)

Visit our Web Site at: <http://www.amljia.org>

HB378

intends to monitor this afternoon's hearing via teleconference as well, and should be available at the Anchorage site to answer any questions.

Thank you for your consideration of these issues.

3

Or E-mail at: [kevins@au.amllia.org](mailto:kevins@au.amllia.org)

Visit our Web Site at: <http://www.amllia.org>

**Northwest Safety Management, Inc.****17710 Nltoanya Circle  
Eagle River, Alaska 99577-8522  
(907) 696-5730****Philip E. Ulmer  
Principal Consultant**

February 28, 2000

State of Alaska  
State Legislature  
Legislative Office Building  
State Capitol  
Juneau, Alaska 99811

Re: HB 378 and SB 272

Dear Legislators:

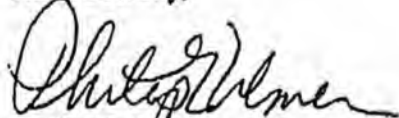
I am a practicing safety professional in the State of Alaska and an appointed citizen to the State of Alaska Workers' Compensation Board. I am in favor of passage of these collateral bills that are designed to bring more long term financial stability to the budgeting process of the Department of Labor.

As a member of the Workers' Compensation Board, I have direct knowledge of the need to provide more predictable streams of revenue to fund the Workers Compensation Division. In times of state fiscal crises and budget cutbacks, the work load of the the Workers Compensation Division does not diminish. The workload is a direct function of the number of worker injuries in the state. The Workers Compensation Division must have a more stable source of funding that is tied directly to the workload. These bills, while not a perfect solution, represent a very good way of assuring that funding stability.

As a safety professional, I understand the similar funding issue regarding the State Department of Occupational Safety and Health. Their workload, likewise, is a function of the injury rates of the state. If there were fewer injuries, there would be less need of services. As injury rates climb, the workload increases. The funding bills as proposed, bring more stability to assuring the state's worker safety agency will have the resources to assist employers with their safety management efforts. This directly benefits the workers of the state.

I encourage passage of these bills to enhance the effective work of both state agencies in assuring the efficient management of the state Workers Compensation Act and the state's efforts to assist employers and employees with safety and health protection on-the-job.

Respectfully,

  
Philip E. Ulmer



## Office of the Governor Press Releases



### ALASKA IN THE NEWS

February 11, 2000

00048

#### KNOWLES' BILL PROTECTS, UPDATES WORKERS' COMPENSATION; SAFETY PROGRAMS

Calling it vital for employees and employers alike, Gov. Tony Knowles today announced legislation that provides a fair, effective way to fund workers' compensation and safety programs. A second bill updates provisions of the compensation program.

"The state's workers' compensation and worker safety programs provide important benefits and services to both employees and employers throughout Alaska," Knowles said. "The bill I am introducing changes the way these programs are funded to ensure these services to Alaskans are put back on firm footing."

Workers' compensation and safety programs are currently paid for with general funds that roughly equate to the amount that the state collects from a tax on workers' compensation insurance premiums. Since only employers who purchase such insurance are taxed, larger self-insured companies pay no tax at all. Successive budget cuts, meanwhile, have threatened the viability of these programs and a takeover of the safety program by the federal government is now considered a distinct possibility.

"Federal management of our occupational health and safety program is unacceptable to me and to most employers and employees in Alaska," Knowles said. "This bill eliminates the premium tax and replaces it with a new fee for all companies based on a percentage of their particular workers' compensation claims."

The fees would be accounted for separately and deposited into a worker safety and compensation account. Since these fees would fully fund the programs, it would be treated as self-supporting in the state budget.

The new fee system is designed to raise the same amount of money as that currently brought in by the tax. Because the new system spreads costs among more employers, fees paid by employers currently paying the premium tax would actually be decreased. The bill would provide for a four-year phase-in of the fees to minimize the impact on those self-insured employers who currently pay no tax.

"This bill gives employers a chance to control our own destiny," said Sally Ann Carey, President of the Workers' Compensation Committee of Alaska. "If we make our workplace safer and manage our claims effectively, our rates go down."

"Effective OSHA and workers' compensation programs are essential to providing a safe and healthy environment for our workforce," said "Safety Herb" Everett, President of the Denali Safety Council and Westmark of Alaska's Director of Safety and Workers Comp. "We almost lost the state OSHA program last year, which would have undone much of the improvement achieved in the last few years. This bill will prevent that from happening."

Alaska's Workers' Compensation Act has not been changed in 12 years and the second bill introduced by Knowles amends the act to keep pace with changing conditions and to ensure that the program is fair and efficient. Knowles' bill reflects the recommendations of an ad hoc committee representing both employers and employees to adjust for the effects of inflation on benefits, recent court decisions, and to provide more efficient ways of handling the workers' compensation program.

Included in the changes are increases in benefits paid to injured workers to make up for losses due

to inflation over the past 12 years. The bill also addresses Alaska Supreme Court decisions as to what benefits should be paid during the rehabilitation process and the timeframe for requests for claim hearings.

Other changes streamline the rehabilitation process, the signing of medical releases, and the dispute resolution process. Benefits are increased for workers in the retraining process and new timelines set for the payment of medical bills. Another provision updates the wage benchmarks to which benefits are tied.

Mano Frey, president of Alaska AFL-CIO, said, "Labor and management came together for the 'Ad Hoc' bill with recommendations that will make a real difference in the lives of injured workers and their families."

##

**Contact:**

Bob King, Press Secretary, (907) 465-3995

Claire Richardson, Deputy Press Secretary, (907) 465-3996

[Press Releases](#) | [Press Office](#) | [Contact the Governor](#) | [Webmaster](#) | [State of Alaska](#)

**WWW.GOV.STATE.AK.US**

**ANNUAL REPORT PAYMENT TOTALS**  
1994 TO 1998

	1994	1995	1996	1997	1998	5 Yr Total	5 Yr Average	2.6% Fee
INSURER	109,547,591	103,311,559	110,105,740	110,642,719	104,011,521	537,619,130	107,523,826	2,795,619
SELF-INSURED	24,846,006	27,149,796	29,485,881	34,054,441	36,265,321	151,801,445	30,360,289	789,368
UNINSURED	29,479	0	2,100	14,763	183,511	229,853	45,971	1,195
<b>TOTAL</b>	<b>134,423,076</b>	<b>130,461,355</b>	<b>139,593,721</b>	<b>144,711,923</b>	<b>140,460,353</b>	<b>689,650,428</b>	<b>137,930,086</b>	<b>3,586,182</b>

**ANNUAL REPORT TOTALS BY CATEGORY  
1994 TO 1998**

	1994	1995	1996	1997	1998	5 Yr Total	5 Yr Average
Medical	62,205,607	57,717,435	62,751,359	67,672,646	64,190,075	314,537,122	62,907,424
TTD	23,462,515	25,183,229	27,084,382	28,171,772	24,187,575	128,089,473	25,617,895
TPD	890,470	968,922	865,035	797,399	1,164,561	4,686,387	937,277
PPI(PPD)	21,441,007	21,563,022	20,546,073	18,508,016	16,776,163	98,834,281	19,756,856
PTD	3,128,156	3,523,215	4,305,977	4,336,892	4,760,662	20,054,902	4,010,980
Penalty	131,806	283,977	141,584	260,193	165,096	982,656	196,531
SIF	2,536,356	2,499,489	2,818,651	2,355,128	3,395,574	13,605,198	2,721,040
DthBenefits	4,204,661	2,906,319	3,086,755	3,147,247	4,569,732	17,914,714	3,582,943
Interest	4,160	16,099	39,440	99,016	137,952	296,667	59,333
Er Atty	1,811,531	1,509,331	2,053,463	2,006,037	2,100,720	9,481,082	1,896,216
Er Atty	5,688,280	5,171,791	5,768,596	5,833,955	5,848,025	28,310,647	5,662,129
Lit. Costs	1,428,870	1,176,065	1,088,785	963,094	2,318,344	6,975,158	1,395,032
Other	1,913,586	2,779,064	2,186,135	2,004,079	2,065,222	10,948,086	2,189,617
R.S. Fees	1,561,482	1,350,520	490,976	663,668	843,133	4,909,779	981,956
Fees Monitor			339,993	284,409	202,363	826,765	165,353
Plan Costs	668,179	764,117	597,035	655,858	853,144	3,538,333	707,667
Eval Costs			842,969	1,016,651	754,822	2,614,442	522,888
Wage 41(k)	3,346,410	3,048,760	4,586,513	5,935,863	6,127,190	23,044,736	4,608,947
<b>TOTAL</b>	<b>134,423,076</b>	<b>130,461,355</b>	<b>139,593,721</b>	<b>144,711,923</b>	<b>140,460,353</b>	<b>689,650,428</b>	<b>137,930,086</b>
							<u>x 2.6% Fee</u>
							<b>3,586,182</b>

From: Division of Workers  
Compensation 3/1/2000

	1998 Excess Policy Premiums	Est 1998 Premium Tax
<b>Public Self Insureds</b>		
ALASKA RAILROAD CORPORATION	-	-
ALASKA, STATE OF	-	-
ANCHORAGE, MUNICIPALITY OF	85,256	2,302
ANCHORAGE, SCHOOL DISTRICT	32,275	871
FAIRBANKS, CITY OF	23,750	641
FAIRBANKS, NORTH STAR BOROUGH	57,000	1,539
JUNEAU, CITY OF	29,000	783
MATANUSKA SUSITNA BOROUGH	109,020	2,944
NORTH SLOPE BOROUGH	127,196	3,434
<b>Private Self Insureds</b>		
ALASKA AIRLINES, INC.	100,000	2,700
ALASKA PULP CORPORATION	-	-
ALASKA, UNIVERSITY OF	-	-
ALYESKA PIPELINE SERVICE	-	-
AMOCO PRODUCTION COMPANY	-	-
ANCHORAGE DAILY NEWS	12,750	344
AT&T / ALASCOM	2,756	74
CARR-GOTTSTEIN FOODS CO.	78,774	2,127
CHEVRON CORPORATION	-	-
COLUMBIA HEALTHCARE CORP	-	-
CONTINENTAL BAKING CO.	-	-
FEDERAL EXPRESS CORP.	12,601	340
FRED MEYER, INC.	5,940	160
HOLLAND AMERICA LINE /	40,000	1,080
ICICLE SEAFOODS, INC.	72,600	1,960
LOUISIANA - PACIFIC CORP	10,759	290
NABORS PETROLEUM SERVICE	260,620	7,037
NANA REGIONAL CORP.	-	-
PAY N' SAVE CORPORATION	-	-
SAFEWAY STORES INC.	147,143	3,973
SEA - LAND INDUSTRIES	10,000	270
SISTERS OF PROVIDENCE	39,797	1,075
UNION OIL CA. / UNOCAL	51,660	1,395
YARDARM KNOT, INC	27,054	730
<b>Totals</b>	<b>1,335,951</b>	<b>36,071</b>

**House Finance Subcommittee  
Department of Labor and Workforce Development  
FY01 Operating Budget Recommendation**

Final closeout recommendations were reported out of subcommittee on February 28, 2000. The subcommittee began their consideration based on the FY 00 Management Plan reflected in HB 312. The recommendation for general-purpose funds is \$12,840.7. This recommendation goes beyond the allocation target of \$12,918.2 or \$1,577.5 below the Management Plan.

**Division of Worker's Compensation**

In an attached Letter of Intent the subcommittee adopted a statement of support for a bill that would eliminate the premium tax for Workers' Compensation insurance and replace it with a new fee for all companies based on a percentage of their particular workers' compensation claims. The fees would be accounted for separately and deposited into a worker safety and compensation account. The subcommittee reduced the general-purpose funds by \$1.0 million leaving a total budget for this component, which is currently funded primarily with general funds, of \$1,442.0. HB 378 would create designated program receipts that would provide for a four-year phase-in of the fees to minimize the impact on the self-insured employers who currently pay no premium tax. The new system would also spread costs among more employers, and those employers currently paying the premium tax would see a decrease in their payments.

**Division of Labor Standards and Safety**

Closely related to the above recommendation language, the Division of Labor Standards and Safety absorbed \$500.0 of the total reduction. This came out of the general fund match for the Occupational Safety and Health component to accommodate the expected passage of HB 378 and the transition to the fee based worker safety and compensation account. The total remaining funds in this component, in general purpose funds is \$631.8 for a total budget of \$2,508.3.

**Employment Security Division**

The Community Development Assistance Program was moved into the Department of Labor and Workforce Development from the former Department of Community and Regional Affairs due to passage HB 40. This program was subsequently transferred to the Department of Education and Early Development effective October 1, 1999. The subcommittee recognized a general fund reduction totaling \$77.5 associated with the transfer.



**ALASKA STATE  
HOMEBUILDERS ASSOCIATION**

February 28, 2000

Chairman Rokeberg  
Alaska House Labor and Commerce Committee  
Juneau, Alaska

Honorable Chairman,

The Alaska State Home Builders Association voted to support House Bill 378 for the following reasons.

Home Builders across Alaska recognize the importance of dealing with workers compensation claims and disputes in a timely manner. We know this can only be done with a stable source of funding which this bill would provide. We further advocate that the funds collected remain separate from the State's general fund and be used for the purpose stated in the bill.

Second, as employers engaged in an industry that deals with OSHA on a regular basis, we support this bill because we adamantly insist on in-state management of the OSHA program. Under federal control any appeal hearings would be held in Seattle. The cost of travel, hiring lawyers, and the time involved would create an economically disastrous situation for small employers across the state.

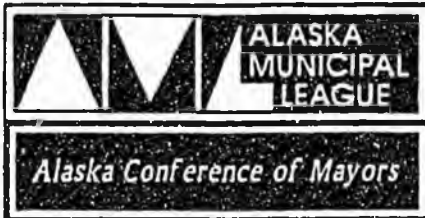
The Alaska State Home Builders Association understands the importance of a stable funding source for the Workers Compensation and in-state management of OSHA programs. It is with this goal that we support House Bill 378.

Sincerely,

Alan Wilson  
President, Alaska State Home Builders Association



8301 SCHOON ST • SUITE 200 • ANCHORAGE, ALASKA • 99518  
(907) 522-3931 • FAX (907) 522-3757



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-5480

February 28, 2000

The Honorable Norm Rokeberg  
Chairman House Labor & Commerce Committee  
Alaska State House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801

Dear Representative Rokeberg:

The Alaska Municipal League (AML) opposes HB 378 as currently written. HB 378 is the workers' compensation "fees" bill presently being considered in your committee.

As drafted, the bill shifts costs currently paid by insurance companies through a premium tax, to self-insureds, including public entities, as well as insurance companies. Currently, self-insureds do not pay the premium tax, so municipal taxpayers take the full brunt of the shift of costs. The Department of Labor estimates that public entities would account for approximately 20 percent of the \$3.5 million expected to be raised through this proposal, or approximately \$700,000 (much of which would come from the State itself). This could not come at a worse time for Alaska's municipalities.

As you are well aware, municipalities are suffering from last year's unprecedented 33% cut in traditional revenue sharing from the State. While the AML does not oppose the concept of sharing the cost of direct State services, we simply cannot absorb the cost of additional state mandates without raising taxes or cutting local services. Municipalities are now facing a property taxpayer revolt. HB 378 is one of many mandates and cuts being considered by the Legislature that will simply add fuel to the fire.

On the other hand, private insurance carriers may see some relief. However, will these carriers cut their rates correspondingly?

As the representative agency of 142 municipalities, the AML requests that you eliminate the public sector, including joint insurance arrangements from the bill, or take other action to eliminate the negative financial impact on municipal taxpayers.

Until Alaskans successfully develop a long-range state and local financial plan (that considers all taxes that constituents pay), municipalities will continue to be forced to spar with the State over inadequate revenues to fund critical public services. The AML and Alaska Conference of Mayors unanimously voted to participate in providing all assistance to the State in developing a State and local long-range financial plan, and is willing to offer suggestions and assistance.

Sincerely,



Kevin Ritchie  
Executive Director

NANA Training Systems  
NANA (HSE) Department  
Health, Safety, Environmental

Physical Address: 341 W. Tudor Road, Suite 202  
Mailing Address: 1001 East Benson Blvd  
Anchorage, AK 99508  
Phone: 565-3300  
Fax: 565-3320

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FEB 28 2000



To: Janet Sertz From: Chris Ross

Fac: Date:

Phone: Pages:

Re: CC:

- Urgent
- For Review
- Please Comment
- Please Reply
- Please Recycle

Notes: Hi Janet,

I would like to testify in  
River at HB 328 today.

Here is copy of my testimony if  
you could copy to the  
committee. R will be at  
LLO in Anchorage.

~~Max~~ Chris Ross

565-3301

565-3301



Testimony of Chris Ross, CSP  
Corporate Health, Safety & Environmental Manager  
NANA Development Corporation  
341 West Tudor Road, Suite 202  
Anchorage, Alaska 99503  
907-565-3301

**HB 378 – Worker's Compensation and Safety Funding**

Dear Mr. Chairman, Committee Members and Guests;

I am testifying today in support of HB 378. My name is Chris Ross and I work for the NANA Development Corporation family of companies. NANA is one of Alaska's largest employers, with over 26 operating entities. Last year our average year-round employment was about 1,800 employees, with several hundred additional seasonal positions during the summer.

Our business operations are quite widespread, including : hotels, tourism, oilfield services, electrical power generation, engineering, security, foodservice and hospitality, housekeeping and janitorial, facility maintenance and operations, and military base operations support.

As the Corporate Health, Safety and Environmental Manager for NANA , my role is to protect our people, property and the environment. I have been in this position for over ten years, and have been involved in health and safety for over 30 years. I have earned both CSP and OHST designations. I am serving my second term on the Alaska Safety Advisory Council and am past chairman of the Governor's Safety and Health Conference. And, as many of you know, I am also the Division Director of the National Ski Patrol and serve on the national board of directors.

I would like to share several key points about HB 378 that really appeal to me:

First it will spread the cost of funding DOL programs such as worker safety and worker's compensation over a much larger group. Under the current premium tax, there are many employers who are not contributing to the process. The State of Alaska, self-insured employers, and insurance pools such as the Timber Exchange all enjoy the benefits of these DOL programs, but do not pay premium tax. This bill charges a user fee on all claims, not traditional premium payments, a much more equitable arrangement.

In other words, all users will now be assessed and contribute their fair share.

The second consequence of this bill also relates to equity and paying a fair share. Because of the new funding, employers with high claims will pay more, while employers with good loss control programs in place will pay less.

Ten years ago NANA embarked on a journey to completely overhaul our safety process. Our losses were unacceptable, claims were high and our frequency and severity rates were much worse than average. Because we obtained a high degree of management commitment, invested necessary resources and made a determination to change our culture, we achieved remarkable results. Our claim cost per employee has gone from \$1.25 per employee hour in 1989 to .02 cents per hour in 1999. This is a savings to us of nearly \$800,000 per year.

HB 378 will provide even more of an incentive for employers to implement effective loss control strategies, as we have done. This is a far more effective approach – the carrot; than implementing tougher laws or stepping up enforcement – the stick.

And the third very attractive element of this bill is the bright outlook for the Alaska Department of Labor.

Recent funding cuts to the DOL have jeopardized the Occupational Safety and Health Division. One possible outcome of these reductions is a federal takeover of Alaska OSH, resulting in Alaska being a Federal OSHA state.

That is not a desirable outcome for Alaskan employers. We would far prefer dealing with a state entity, that has the flexibility to adapt to the unique conditions of Alaska, and employs local residents who more fully understand the risks associated with our workplaces.

This bill will provide a stable funding mechanism that will protect the mission of worker safety and effective worker's compensation insurance administration. As a side-note, it will also help to preserve the Governors Safety and Health Conference, an important event that is self-sustaining and helps to reach and educate many Alaskans each year.

As I review each section of this proposed legislation, it all makes good, common sense. It spreads the cost of these important functions throughout the users in the State, it rewards excellence and it helps to maintain our important local relationships.

Thank you for this opportunity to present my views, Mr. Chairman, and I would be pleased to answer any questions from you or the committee.

WCCA WORKERS' COMPENSATION COMMITTEE OF ALASKA  
P.O. Box 200631 • Anchorage, Alaska • 99520

*M. Grossi*

RECEIVED  
Department of Labor

FEB 03 2000

February 4, 2000 Office of the Commissioner

Ed Flanagan  
Commissioner of Labor and Workforce Development  
P.O. Box 21149  
Juneau, Ak 99802

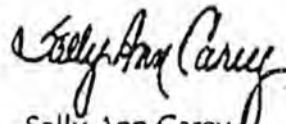
Dear Commissioner Flanagan:

A majority of WCCA board members participating, voted to support the draft legislation to assess service fees for the administration of workers' safety and compensation programs. Several board members choose to abstain or did not participate in the vote.

While the "yes" vote constituted the majority of those voting, there is still some opposition to the draft legislation, primarily from those who represent self-insured interests. The support from those voting in the affirmative was based on the qualification that the fees raised be used specifically for the purpose stated and not be diverted to the other uses or the general fund.

WCCA board members recognize that it is in everyone's interest to have workers' compensation programs administered fairly and as expeditiously as possible. That requires an adequate level of funding and that is why we lend our qualified support to the draft legislation.

Sincerely,



Sally Ann Carey  
President, Board of Directors

2000-01-31  
10:00 AM

February 28, 2000

Alaska State Legislature

Dear Honorable Senators and Representatives:

As a current member of the Alaska Workers Compensation Board, I see first hand the faces of many of Alaska's injured workers. I see many injuries that should never have occurred and many others that are bogged down in an overburdened system.

The current level and method of funding for Occupational Safety and Health (OSH) and Workers Compensation needs to be addressed. I believe House Bill 378 and Senate Bill 272 addresses these concerns in a common sense manner. The bill rightfully rewards employers with a good safety record and seeks higher funding from employers with a higher amount of injuries. The bill would also ensure that these funds remain in the arena of worker safety and be dedicated for those purposes.

I respectfully urge your support of these bills and thank you for your consideration.

Sincerely,



Valerie Baffone  
10606 Flagship Circle  
Anchorage, AK 99515  
276-7211 work  
349-1178 home

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FEB 28 2000



P.O. Box 46  
Kotzebue, Alaska 99752

City Hall  
442-3401

Police Dept.  
442-3351

Fire Dept.  
442-3401

Public Works  
442-3401

February 28, 2000

Via fax (907) 465-2040

The Honorable Norm Rokeberg, Chairman  
House Labor & Commerce Committee  
Alaska State House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801

Dear Representative Rokeberg:

This letter represents our opposition to HB 378, the Workers' Compensation "fees" Bill presently being considered in your committee.

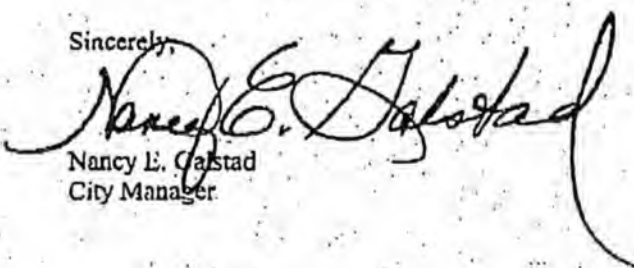
As drafted, the bill shifts costs currently paid by insurance companies to self-insureds, including public entities. As you know, our municipalities are facing unprecedented financial challenges and governments seeking the most cost effective risk financing have turned to self-insurance or pooling arrangements to reduce the cost of protecting their constituents (and yours). This Bill would impose additional costs to Alaska's public entities. As written, this Bill would cause our Pooling Arrangement with the Joint Insurance Association another unnecessary increase in the cost of operations with absolutely no advantage to the citizens we serve and you represent.

The Workers' Compensation and OSHA divisions are not alone in suffering the pain inflicted by recent state budget cuts. You are certainly aware that municipalities have borne the brunt of these cuts since 1986, and many are on the brink of dissolving. Please do not continue to shift the costs of State government programs to the backs of local government.

It is our understanding that Department of Labor estimates show that public entities would account for approximately 20 percent of the \$3.5 million expected to be raised through this proposal, which amounts to about \$700,000. The remainder of the new dollars generated will be by cost shifting from the private sector to the public sector. In this scenario, the private carriers will see some relief, yet can you realistically believe that those carriers will cut their rates correspondingly?

We strongly urge you to eliminate the public sector, including joint insurance arrangements (that the legislature allowed for by Statute for municipal pooling in the mid-'80's) from this Bill. Thank you. I will be happy to answer additional questions should you or your staff desire more information.

Sincerely,

  
Nancy E. Galstad  
City Manager

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FAX NO.

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FEB-25-00 FRI 04:17 PM WORKERS COMP ANCH

FAX NO. 907 289 4975

P. 02

FEB-25-00 04:15 PM IBEW, FAIRBANKS

907 486 4292

P. 02

**International Brotherhood of Electrical Workers  
Local 1547**

63 HALL STREET  
FAIRBANKS, ALASKA 99701-4893

TELEPHONE FAX  
(907) 488-4248 or 488-4249 (907) 488-4292

JOHN W. GIUCHICI  
BUSINESS MANAGER • FINANCIAL SECRETARY

JOHN A. HARRIS  
PRESIDENT



February 25, 2000

Honorable Tony Knowles  
Governor  
State of Alaska  
P. O. Box 110001  
Juneau, Alaska 99811

Re: HB378/HB272

Dear Governor Knowles:

The above referenced bills will create a much more equitable funding source for the Division of Workers' Compensation and Occupational Safety and Health. The user fee provision in the bills will financially reward the employer who chooses to invest in workplace safety by way of education and/or use of the safest equipment possible.

Other reform that is long overdue are the provisions of SB278. It has been hard to watch the cost of living go up in Alaska for the last 12 years and benefits for injured workers stay the same.

This is all good legislation. Please support the above mentioned bills.

Sincerely,

John Giuchici  
Assistant Business Manager  
IBEW - Fairbanks  
Workers' Compensation Board Member

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FEB 28 2000

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FAX NO.

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WORKERS COMP ANCH

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BETHEL NATIVE CORP

P.02/02



FAX

February 25, 2000

To: The Legislature

RE: House Bill 376  
Senate Bill 272

I have been privileged to serve on the Workers Compensation Board as an industry at-large member since 1991. Over that time period, I have seen the services provided by the Workers Compensation Division decline substantially due to budget cuts. The Workers Compensation division is comprised of hard-working and dedicated staff members. However, there is a limit to their accomplishments when funding is restrained.

I support the passage of the above-proposed legislation in that it will support the Workers Compensation Division through a new funding source - paid for by the people that use the program. As an employer, it provides an incentive to make a safe work place and to monitor claims. The employee will benefit from a safer working environment and prompt resolution of controverted claims.

I ask for your passage of the above-proposed legislation.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Marc D. Stemp".

Marc D. Stemp  
President and Chief  
Executive Officer

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FEB 28 2000

# ALASKA STATE AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

MANO FREY  
Executive President



BRUCE LUDWIG  
Secretary / Treasurer

Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801

The Alaska State AFL-CIO strongly endorses House Bill 378 and Senate Bill 272. The bills would establish a service fee system to pay for the State of Alaska's worker safety and workers compensation programs. Both of these programs are vital to the interests of working people in Alaska.

Workplace safety is a very high priority for the AFL-CIO. We're proud to say that Alaska has made good progress in recent years in preventing job-related accidents. This progress must continue. However, if the budget for the state's worker safety programs continues to be reduced, as it has for the past several years, we see no alternative to the federal government stepping in and taking over the programs. This would be unfortunate because the federal government cannot do as good a job as the State of Alaska. The state has much greater knowledge of Alaska's workplace conditions as well as established communication channels with both labor organizations and the business community.

Workers compensation is also extremely important. The system protects the interests of both employees and employers by providing funds to compensate and retrain workers following job-related accidents. It also provides for the adjudication of disputes. The system eliminates a large amount of the financial uncertainty that would hurt both employees and employers if they had to deal with the aftermath of workplace injuries on their own.

The proposed fee system appropriately shifts the payment burden from the current tax on premiums to a service fee on claims filed. It would complement Alaska's safety programs by providing a financial incentive for greater vigilance in preventing workplace accidents.

We view HB 378 and SB 272 as both pro-labor and pro-business bills. They would help preserve programs that are necessary for business and commerce in Alaska, as well as protect the interests of Alaska's working people.

The Alaska State AFL-CIO urges your support for the passage of these bills.

Don Etheridge  
AFL-CIO Lobbyist

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FEB 28 2000

FUNDING BY FUND TYPE

	COVERAGE	FUND TYPE	ASSESSMENT	PAID BY	OTHER INCOME
WK	PRIVATE	GENERAL FUND			
II	PRIVATE	GENERAL FUND			
A	PRIVATE	GENERAL FUND			
L	PRIVATE	GENERAL FUND			
N	PRIVATE	GENERAL FUND			
JD	EXCLUSIVE FUND	GENERAL FUND	PREMIUMS	EMPLOYERS	FINES AND PENALTIES
JT	PRIVATE AND STATE FUND	GENERAL FUND			
JA	PRIVATE AND STATE FUND	GENERAL FUND AND SPECIAL ACCOUNT	.013459 X TOT INDEM SELF INSURED .005233 X TOT INDEM CARRIERS	CARRIERS AND SELF INSUREDS	
VD	PRIVATE AND STATE FUND	GENERAL FUND AND SPECIAL ACCOUNT	BUDGET SET BY LEGISLATURE AND FUNDING DERIVED FROM PRORATED % OF TOTAL PAYROLL	CARRIERS, SELF INSUREDS AND STATE FUND	\$500 ANNUALLY FOR SELF INSUREDS & GROUPS
VI	PRIVATE	GENERAL FUND AND SPECIAL ACCOUNT	.75% OF TOTAL COMP PAID FOR EDUCATION FUND	CARRIERS	
VC	PRIVATE	GENERAL FUND AND SPECIAL ACCOUNT	22% OF NET WRITTEN PREMIUMS	STOCK & MUTUAL CARRIERS & SELF INSUREDS	
JK	PRIVATE AND STATE FUND	GENERAL FUND AND SPECIAL ACCOUNT	1% PREMIUM TAX AND 2% SELF INSURED PTD AND DEATH PAYMENTS	CARRIERS AND SELF INSUREDS	FINES AND PENALTIES
SC	PRIVATE	GENERAL FUND AND SPECIAL ACCOUNT	2.5% OF PREMIUMS	CARRIERS AND SELF INSUREDS	FINES AND PENALTIES
SD	PRIVATE	GENERAL FUND AND SPECIAL ACCOUNT	\$14 PER POLICY WRITTEN		
TN	PRIVATE	GENERAL FUND AND SPECIAL ACCOUNT	4% OF PREMIUMS	CARRIERS AND SELF INSUREDS	

FUNDING BY FUND TYPE

	COVERAGE	FUND TYPE	ASSESSMENT	PAID BY	OTHER INCOME
CS	PRIVATE	SPECIAL ACCOUNT	2.597% PAID LOSES UP TO 3% LIMIT	CARRIERS, SELF INSUREDS AND GROUPS	
CY	PRIVATE	SPECIAL ACCOUNT	9% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
AA	PRIVATE	SPECIAL ACCOUNT	1.59% OF PAID LOSES	CARRIERS AND SELF INSUREDS	FINES & PENALTIES
MA	PRIVATE	SPECIAL ACCOUNT	PRIVATE INDUSTRY PAYS .04% SURCHARGE ON POLICY PREMIUM. PUBLIC ENTITIES PAY .154% SELF INSUREDS PAY .14567% AND GROUPS PAY .03245%	EMPLOYERS	FINES AND PENALTIES
ME	PRIVATE	SPECIAL ACCOUNT	2.26% OF CARRIER PREMIUMS AND 2.41652302% FOR SELF INSUREDS	CARRIERS	LATE PAY PENALTIES
VN	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	30% OF INDEMNITY PAYMENTS	CARRIERS, SELF INSUREDS AND STATE FUND	
VO	PRIVATE	SPECIAL ACCOUNT	2% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
VS	PRIVATE	SPECIAL ACCOUNT	\$250 ANNUAL FEE PLUS PORTION OF BUDGET BASED ON INSURER'S % OF AGGREGATE COMPENSATION PAID BY ALL INSURERS	CARRIERS AND SELF INSUREDS	CIVIL PENALTIES
VT	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	3% OF TOTAL MEDICAL AND INDEMNITY PAYMENTS - \$200 MINIMUM	CARRIERS, SELF INSUREDS AND STATE FUND	FINES
NE	PRIVATE	SPECIAL ACCOUNT	1% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
NH	PRIVATE	SPECIAL ACCOUNT	PRORATED ON TOTAL COMP PAID	CARRIERS AND SELF INSUREDS	
NJ	PRIVATE	SPECIAL ACCOUNT	NO RESPONSE	CARRIERS AND SELF INSUREDS	
NM	PRIVATE	SPECIAL ACCOUNT	\$2.00 QTLY	EACH EMPLOYER AND EMPLOYEE	CIVIL PENALTIES
NV	EXCLUSIVE FUND	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	

FUNDING BY FUND TYPE

	COVERAGE	FUND TYPE	ASSESSMENT	PAID BY	OTHER INCOME
KS	PRIVATE	SPECIAL ACCOUNT	2.597% PAID LOSES UP TO 3% LIMIT	CARRIERS, SELF INSUREDS AND GROUPS	
KY	PRIVATE	SPECIAL ACCOUNT	9% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
LA	PRIVATE	SPECIAL ACCOUNT	1.59% OF PAID LOSES	CARRIERS AND SELF INSUREDS	FINES & PENALTIES
MA	PRIVATE	SPECIAL ACCOUNT	PRIVATE INDUSTRY PAYS .04% SURCHARGE ON POLICY PREMIUM. PUBLIC ENTITIES PAY .154% SELF INSUREDS PAY .14567% AND GROUPS PAY .03245%	EMPLOYERS	FINES AND PENALTIES
ME	PRIVATE	SPECIAL ACCOUNT	2.26% OF CARRIER PREMIUMS AND 2.41652302% FOR SELF INSUREDS	CARRIERS	LATE PAY PENALTIES
MN	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	30% OF INDEMNITY PAYMENTS	CARRIERS, SELF INSUREDS AND STATE FUND	
MO	PRIVATE	SPECIAL ACCOUNT	2% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
MS	PRIVATE	SPECIAL ACCOUNT	\$250 ANNUAL FEE PLUS PORTION OF BUDGET BASED ON INSURER'S % OF AGGREGATE COMPENSATION PAID BY ALL INSURERS	CARRIERS AND SELF INSUREDS	CIVIL PENALTIES
MT	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	3% OF TOTAL MEDICAL AND INDEMNITY PAYMENTS - \$200 MINIMUM	CARRIERS, SELF INSUREDS AND STATE FUND	FINES
NE	PRIVATE	SPECIAL ACCOUNT	1% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
NH	PRIVATE	SPECIAL ACCOUNT	PRORATED ON TOTAL COMP PAID	CARRIERS AND SELF INSUREDS	
NJ	PRIVATE	SPECIAL ACCOUNT	NO RESPONSE	CARRIERS AND SELF INSUREDS	
NM	PRIVATE	SPECIAL ACCOUNT	\$2.00 QTLY	EACH EMPLOYER AND EMPLOYEE	CIVIL PENALTIES
NV	INCLUSIVE	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	

FUNDING BY FUND TYPE

	COVERAGE	FUND TYPE	ASSESSMENT	PAID BY	OTHER INCOME
NY	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	PORTION OF BUDGET BASED ON INSURER'S % OF AGGREGATE COMPENSATION PAID BY ALL INSURERS	CARRIERS, SELF INSUREDS AND STATE FUND	FINES AND PENALTIES
OH	EXCLUSIVE FUND	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	
OR	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	7.3% OF PREMIUMS AND .2% OF SELF INSURED GROUPS	CARRIERS, SELF INSUREDS AND STATE FUND	FINES AND PENALTIES
PA	PRIVATE AND STATE FUND	SPECIAL ACCOUNT	PRORATED ON TOTAL COMP PAID	CARRIERS, SELF INSUREDS AND STATE FUND	
RI	PRIVATE	SPECIAL ACCOUNT	5.75% OF PREMIUMS	CARRIERS AND SELF INSUREDS	FINES AND PENALTIES
VA	PRIVATE	SPECIAL ACCOUNT	2.5% OF PREMIUMS	CARRIERS AND SELF INSUREDS	
VT	PRIVATE	SPECIAL ACCOUNT	1.19% OF PREMIUMS FOR CARRIERS AND 1% TOTAL COMP FOR SELF INSUREDS	CARRIERS AND SELF INSUREDS	
WA	EXCLUSIVE FUND	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	FINES AND PENALTIES
WV	EXCLUSIVE FUND	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	
WY	EXCLUSIVE FUND	SPECIAL ACCOUNT	PREMIUMS	EMPLOYERS	PENALTIES FINES AND INCOME ON INVESTMENTS