

HB

378

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/00

FURTHER:

REPORTED OUT OF
SFC 4/18/00

DATE TURNED
IN TO OFFICE: 4/18/00

Finance Committee considered

CS FOR HOUSE BILL NO. 378(RLS)

WORKERS COMP AND WORKER SAFETY

and recommends:

- be replaced with S CS HB 378 (Fin)
- adopt previous CS CS ()
- attached amendment(s) forthcoming
- adopt Letter of Intent by _____
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Greg Uhl</i>	<input checked="" type="checkbox"/>	<i>Bill & ...</i>	<input type="checkbox"/>		
		<i>Ludwig ...</i>			<input checked="" type="checkbox"/>
		<i>Pat Kelly</i>	<input checked="" type="checkbox"/>		
		<i>Al ...</i>	<input checked="" type="checkbox"/>		
		<i>...</i>	<input checked="" type="checkbox"/>		
		<i>Kevin D. ...</i>	<input checked="" type="checkbox"/>		
Co-Chair: _____		Co-Chair: <i>...</i>	<input checked="" type="checkbox"/>		
Co-Chair: <i>...</i>	<input checked="" type="checkbox"/>	Co-Chair: _____			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
Labor Standards	4/7/00		500.0
Labor Commissioner	4/7/00	<input checked="" type="checkbox"/>	
Labor Workers Comp	4/7/00		1,200.
Admin. Risk Mgmt	4/4/00		82.7
OMB	4/4/00		82.7

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Univ	3/12/00		8.3
DC&D	2/27/00	<input checked="" type="checkbox"/>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Revision Date/Time (Note if correction) 4/14/00 Dept. Affected Administration
 Title An act relating to the establishment, assessment, BRU Risk Management
collection and accounting for service fees for the administration Component Risk Management
administration of workers' compensation and workers' safety programs....
 Sponsor (H) RLS
 Requester (S) FIN 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	82.7	156.2	220.6	266.5	266.5	266.5
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	82.7	156.2	220.6	266.5	266.5	266.5

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 I/A Receipts	82.7	156.2	220.6	266.5	266.5	266.5
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	82.7	156.2	220.6	266.5	266.5	266.5

Estimate of any current year (FY2000) cost:

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 _____
 Approved by Commissioner - Robert Poe Jr. Date 4/14/00
 Agency Department of Administration

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Revision Date/Time (Note if correction): _____
 Title: Workers Comp and Worker Safety
 Sponsor: House Rules
 Requestor: Senate FIN

Department Affected: Labor
 BRU: Office of the Commissioner
 Component: _____
Commissioner's Office
COMPONENT SERIAL NO. 340

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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CHANGE IN REVENUE	2,500.0	3,498.2	3,498.2	3,498.2	3,498.2	3,498.2
FUND SOURCE #	New #	New #	New #	New #	New #	New #

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (New Fund)						
TOTAL	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: Remond Henderson, Director *RH JH*
 Division: Administrative Services

Phone: 465-2720
 Date/Time: 4/17/00 5:39 PM

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

Date: 4/17/00

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Title: An Act 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 creates an annual service fee 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 total direct premium income from workers' compensation policies:

- (1) for total direct premium income in 2000, 2.31 percent
- (2) for total direct premium income in 2001, 2.17 percent
- (3) for total direct premium income in 2002, 2.03 percent
- (4) for total direct premium income in 2003, and subsequent years, 1.82 percent.

The service fee for insurers shall be drawn from the 2.7 percent of the total direct premium income paid to the director of insurance under AS 21.09.150(b). The remnant of the amount paid under AS 21.09.150(b) shall be deposited into the general fund.

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,
- (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 incrementally 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

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Revision Date/Time (Note if correction): _____

Department Affected: Labor

Title: Workers Comp and Worker Safety

BRU: Workers' Compensation

Component: Workers' Compensation

Sponsor: House Rules

Requestor: Senate FIN

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	1,000.0					
TOTAL OPERATING	1,000.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		(684.4)	(682.7)			
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (New Fund)	1,000.0	684.4	682.7			
TOTAL	1,000.0	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
The expenditure and revenue authorization shown in FY 2001 offsets a reduction of equal amount included in the budget for the component as approved by the House Finance committee and is in agreement with the included intent language.

Prepared by: Paul Grossi, Director *PH for*

Phone: 465-2790

Division: Workers' Compensation

Date/Time: 4/17/00 5:28 PM

Approved by Commissioner: Ed Flanagan, Commissioner *Ed Flanagan*

Agency: Department of Labor

Date: 4/17/00

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Title: An Act 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 creates an annual service fee 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 total direct premium income from workers' compensation policies:

- (1) for total direct premium income in 2000, 2.31 percent
- (2) for total direct premium income in 2001, 2.17 percent
- (3) for total direct premium income in 2002, 2.03 percent
- (4) for total direct premium income in 2003, and subsequent years, 1.82 percent.

The service fee for insurers shall be drawn from the 2.7 percent of the total direct premium income paid to the director of insurance under AS 21.09.150(b). The remnant of the amount paid under AS 21.09.150(b) shall be deposited into the general fund.

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,
- (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 incrementally 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

Bill Version: CSHB 378(L&C)
(H) Publish Date: 3/15/00

STATE OF ALASKA

2000 LEGISLATIVE SESSION

Revision Date (Note if correction) _____ Dept. Affected University of Alaska
 Title Worker's Comp. BRU _____
 Component _____
 Sponsor _____
 Requester _____ Component Serial No. _____

Expenditures/Revenues

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services					
Travel					
Contractual	8.3	15.5	21.8	26.0	26.0
Supplies					
Equipment					
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	8.3	15.5	21.8	26.0	26.0

CAPITAL EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05

CHANGE IN REVENUES () ()	FY 01	FY 02	FY 03	FY 04	FY 05

FUND SOURCE

1002 Federal Receipts	1.0	1.9	2.7	3.2	3.2
1003 GF Match					
1004 GF	3.8	7.1	9.9	11.9	11.9
1005 GF/Program Receipts					
1037 GF/Mental Health					
1048 University Receipts	3.5	6.5	9.2	10.9	10.9
TOTAL	8.3	15.5	21.8	26.0	26.0

Estimate of any current year (FY00) cost: none

POSITIONS

Full-time					
Part-time					
Temporary					

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

The service fee will be funded through a staff benefit accrual.

Prepared by Pat Pitney, Director Phone 474-7448
 Division UA Budget and Institutional Research Date 3/6/00
 Approved by Commissk Pat Pitney, Director Date 3/6/00
 Agency UA Budget and Institutional Research

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HF 278, Fiscal Note Calculation
University of Alaska

Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Estimated claims	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Charge rate	3.3%	3.1%	2.9%	2.6%	2.6%
Calculated base fee	33,000	31,000	29,000	26,000	26,000
Transition rate	25.0%	50.0%	75.0%	100.0%	100.0%
Service fee	8,250	15,500	21,750	26,000	26,000

Revenue Sources:	<u>Ratio *</u>					
Federal funds	12.5%	1,028	1,931	2,710	3,240	3,240
General fund	45.6%	3,765	7,074	9,927	11,867	11,867
University receipts	41.9%	3,457	6,494	9,113	10,894	10,894
	100.0%	8,250	15,500	21,750	26,000	26,000

1999
Revenue
Sources

46.3 mil.
169.6 mil.
155.7 mil.
371.6 mil.

* Ratio of revenue sources from FY99 financial statements

02/28/2000

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Revision Date/Time (Note if correction): _____
 Title: Workers Comp and Worker Safety
 Sponsor: House Rules
 Requestor: Senate Finance

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	500.0					
TOTAL OPERATING	500.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match		(315.6)	(315.5)			
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (New Fund)	500.0	315.6	315.5			
TOTAL	500.0	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

The expenditure and revenue authorization shown in FY 2001 offsets a reduction of equal amount included in the budget for the component as approved by the House Finance committee and is in agreement with the included intent language.

Prepared by: Alan Dwyer, Director *AK for* Phone: 465-2790
 Division: Labor Standards and Safety Date/Time: 4/17/00 5:29 PM
 Approved by Commissioner: Ed Flanagan, Commissioner
 Agency: Department of Labor Date: 4/17/00

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB 378 (RLS)

Title: An Act 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 creates an annual service fee 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 total direct premium income from workers' compensation policies:

- (1) for total direct premium income in 2000, 2.31 percent
- (2) for total direct premium income in 2001, 2.17 percent
- (3) for total direct premium income in 2002, 2.03 percent
- (4) for total direct premium income in 2003, and subsequent years, 1.82 percent.

The service fee for insurers shall be drawn from the 2.7 percent of the total direct premium income paid to the director of insurance under AS 21.09.150(b). The remainder of the amount paid under AS 21.09.150(b) shall be deposited into the general fund.

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,
- (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 incrementally 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.

REPORTED OUT OF
SFC 4/18/00

FISCAL NOTE

Bi. /ersion: 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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	(3,498.2)	(3,498.2)	(3,498.2)	(3,498.2)	(3,498.2)	(3,498.2)
------------------------	-----------	-----------	-----------	-----------	-----------	-----------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
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 Phone 269-7900
 Division Insurance Date/Time 2/2/00 12:24 PM
 Approved by Commissioner Deborah B. Sedwick Date 2/2/00
 Agency Community & Economic Development

ORIGINAL

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REPORTED OUT OF
SFC 4/18/00

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 11
Bill Version: CSHB 378(RLS)
(S) Publish Date: 4-18-00

Revision Date/Time 04/14/2000 Dept. Affected All State Agencies
Title "An act relating to the establishment, assessment, BRU
collection, and accounting for service fees for the administration
of workers' compensation and safety programs. Component _____
Sponsor House Rules Committee
Requester Senate Finance Committee Component No. _____

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	82.7	156.2	220.6	266.5	266.5	266.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	82.7	156.2	220.6	266.5	266.5	266.5

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	8.2	15.5	21.9	26.4	26.4	26.4
1003 GF Match	2.0	3.7	5.3	6.4	6.4	6.4
1004 GF	40.4	76.3	107.8	130.2	130.2	130.2
1005 GF/Program Receipts	3.0	5.7	8.0	9.7	9.7	9.7
other (GF)	3.0	5.7	8.0	9.7	9.7	9.7
Other (Non GF)	26.1	49.3	69.6	84.1	84.1	84.1
TOTAL	82.7	156.2	220.6	266.5	266.5	266.5

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Consolidation of statewide risk management costs to departments' personal services expense. See attached for detailed fund source amounts.

Prepared by: Joan Brown, Chief Budget Analyst *Joan Brown* Phone 465-4681
Division Office of Management and Budget Date/Time 4/14/00 3:18 PM
Approved by Director Annalee McConnell *Annalee McConnell* Date 04/14/2000
Agency Governor's Office

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Amend #2

**CSHB 378 (RLS) Workers Compensation Safety Fee
Suggested Language Changes by
Department of Community & Economic Development**

- Change 1: Sec. 3. Sec. 23.05.067 (a) (2) (page 2, lines 26 through page 3, line 8) is replaced by the following:

- (2) For each insurer, the director of the division of insurance shall deposit under (e) of this section from funds received from the insurer under AS 21.09.210, the service fee of 1.82 percent of the direct premium income for workers compensation insurance received by the insurer during the year ending on the preceding December 31, subject to all the deductions specified in AS 21.09.210(b).

Current language requires the Division of Insurance to deposits a portion of premium tax collected as opposed to premium reported. Otherwise, deposits may be required greater than the amounts collected.

- Change 2: Delete Section 2 and renumber Sections 3-11.

Unlike previous versions, the rules CS does not, contain the "in lieu of all taxes..." sentence found on page 2, lines 25-28 of the previous (CSHB 378 (L&C)) version. The provision amending AS 21.09.270 should be removed. This change maintains the long-standing statutory status quo regarding retaliatory fees. This will keep Alaska's retaliatory calculation in line with other states and will promote a level playing field between companies from this state and other states.



Official Business

Alaska State Senate

Senate Finance Committee

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Juneau, Alaska 99801-1182

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DATE: 4/18/00 TIME: 8:45

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 3

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: HB 378
+ two attached amendments
Workdraft CS please
The Mindy

1 (3) for premium income in 2002, 2.03 percent shall be deposited into the
2 workers' safety and compensation administration account in the state treasury, and .67 percent
3 shall be deposited into the unrestricted general fund.

4 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 TRANSITION: REGULATIONS. The director of the division of insurance in the
7 Department of Community and Economic Development, and the Department of Labor and
8 Workforce Development, may proceed to adopt regulations necessary to implement or interpret ~~or interpret~~ #1
9 this Act. Regulations to implement or interpret a provision of this Act take effect under
10 AS 44.62 (Administrative Procedure Act), but not before the effective date of secs. 1 - 6 of
11 this Act.

12 * Sec. 10. Section 9 of this Act takes effect immediately under AS 01.10.070(c).

13 * Sec. 11. Except as provided in sec. 10 of this Act, this Act takes effect January 1, 2001.

Alaska Department of Community
and Economic Development

Division of Insurance

P.O. Box 110805, Juneau, AK 99811-0805

Telephone: (907) 465-2515 • Fax: (907) 465-3422 • Text Telephone: (907) 465-5437

Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

April 14, 2000

Honorable John Torgerson, Chairman
Senate Finance Committee
Capitol Room 516
Alaska State Capital
Juneau, AK 99811

Re: CSHB 378(RLS) Workers' Compensation & Workers' Safety Fee

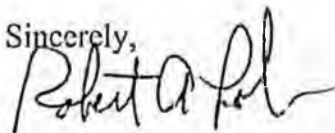
Dear Senator Torgerson:

As you consider CSHB 378(RLS) Workers' Compensation & Workers' Safety, we respectfully suggest the enclosed two technical changes. The first change (at page 2, lines 30-31 through page 3, lines 1-8) revises the language so the Division of Insurance deposits a portion of the premium tax **collected** as opposed to premium income **reported**. Otherwise, deposits may be required that would be greater than the amounts collected.

The second change recommends that Section 2 be deleted (page 1, line 11 through page 2, line 11). Unlike previous versions, this bill does not contain the "in lieu of all taxes..." sentence found on page 2, lines 25-28 of the previous (CSHB 378 (L&C)) version. The provision amending AS 21.09.270 should be removed. This change maintains the long-standing statutory status quo regarding retaliatory fees. This will keep Alaska's retaliatory calculation in line with other states and will promote a level playing field between companies from this state and other states.

If you have any questions please contact me. Thank you for considering this language.

Sincerely,



Robert A. Lohr
Director

CC: Dwight Perkins, Deputy Commissioner DOL&WD
Paul Grossi, Director Workers' Compensation

**CSHB 378 (RLS) Workers Compensation Safety Fee
Suggested Language Changes by
Department of Community & Economic Development**

- Change 1: Sec. 3. Sec. 23.05.067 (a) (2) (page 2, lines 26 through page 3, line 8) is replaced by the following:

(2) For each insurer, the director of the division of insurance shall deposit under (e) of this section from funds received from the insurer under AS 21.09.210, the service fee of 1.82 percent of the direct premium income for workers compensation insurance received by the insurer during the year ending on the preceding December 31, subject to all the deductions specified in AS 21.09.210(b).

Current language requires the Division of Insurance to deposit a portion of premium tax collected as opposed to premium reported. Otherwise, deposits may be required greater than the amounts collected.

- Change 2: Delete Section 2 and renumber Sections 3-1..

Unlike previous versions, the rules CS does not, contain the "in lieu of all taxes..." sentence found on page 2, lines 25-28 of the previous (CSHB 378 (L&C)) version. The provision amending AS 21.09.270 should be removed. This change maintains the long-standing statutory status quo regarding retaliatory fees. This will keep Alaska's retaliatory calculation in line with other states and will promote a level playing field between companies from this state and other states.

TONY KNOWLES
GOVERNOR
GOVERNOR OF THE STATE OF ALASKA

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 11, 2000

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.

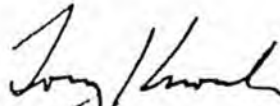
The fees would be accounted for separately and deposited into a worker safety and compensation account. The money in the account would be treated as designated program receipts available for appropriation to the workers' compensation and safety programs. The bill provides for a four-year phase-in of 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, flowing style.

Tony Knowles
Governor

SENATE FINANCE COMMITTEE

SIGN-IN

HB 378-WORKERS COMP AND WORKER SAFETY

NAME: Paul Grossi Subject/Bill No: HB378
Co./Dept./Title: Director W. Comp Phone: 465-2790
Address: Dept of Labor W.F.D. Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: Stan Ridgeway Subject/Bill No: HB-378
Co./Dept./Title: Division of Insurance Phone: 465-2818
Address: DCED Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions