

**HB**

**346**

<target><bill>HB 346</bill><subject>HB  
346</subject><comm>HFIN26</comm></target>

# ALASKA STATE LEGISLATURE

## REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources

Session: January - April  
State Capitol  
Juneau, AK 99801-1182  
Phone: 907-465-2693  
Fax: 907-465-3835



Interim: May - December  
145 Main Street Loop, Ste 221  
Kenai, AK 99611  
Phone: 907-283-2690  
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Official Business

### Sponsor Statement

#### Committee Substitute for House Bill 346 (L&C)

*"An Act establishing the Workers' Compensation Advisory Council; abolishing the Medical Services Review Committee; and providing for an effective date."*

Since the mid-1980's an informal workers' compensation advisory committee has operated in Alaska. This "Ad-Hoc" committee was comprised of representatives from organized labor and from the Workers' Compensation Committee of Alaska – an industry group organized to lobby for changes to Alaska's Workers' Compensation Act. The Ad-Hoc Committee was instrumental in effecting the huge changes made to the Act in 1988. However, since then, the committee has been unable to achieve any success in large part due to their lack of any statutory legitimacy.

In 2005 the legislature amended AS 23.30.095 to create a Medical Services Review Committee to advise the commissioner of the Department of Labor and Workforce Development in the area of medical costs and related services in workers' compensation. In November 2009, the Committee issued its final report and recommendations. One of the recommendations was the establishment by statute of a Workers' Compensation Advisory Council to advise the commissioner and legislature in the area of workers' compensation.

Similar councils have been created and operate quite effectively in other states. These councils are charged with recommending statutory changes to the legislature as well as regulations to departments in the area of workers' compensation. The purpose of the council is to improve workers' compensation systems by drawing together representatives from all workers' compensation stakeholders who gather and analyze data and information, discuss and debate options and make recommendations regarding problems facing the effectiveness of workers' compensation systems.

This bill creates a council similar to that found in many other western and mid-western states. The council is comprised of 11 voting and 5 non-voting members: four voting members drawn from organized labor, four voting members drawn from various employer groups and three voting members from the various medical societies. Non-voting members provide expertise and are drawn from the insurance industry (2 members), the legislature (one from each legislative body) and the commissioner or his designee.

I urge your support of this bill.

Email: [Representative\\_Kurt\\_Olson@legis.state.ak.us](mailto:Representative_Kurt_Olson@legis.state.ak.us)

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Official Business

### Sectional Analysis

#### Committee Substitute for House Bill 346 (L&C)

*"An Act establishing the Workers' Compensation Advisory Council; and providing for an effective date."*

- Section 1.** Adds a new section to AS 23.30 creating a Workers' Compensation Advisory Council to advise the department on all matters pertaining to workers' compensation.
- Section 2.** Repeals the Medical Services Review Committee
- Section 3.** Repeals AS 23.30.275 on June 30, 2015. Sun setting the council.
- Section 4.** Repeals cross reference to the Medical Services Review Committee
- Section 5.** Transitional Provision to stagger the terms of the members of the council.
- Section 6.** Provides for an immediate effective date.

Email: Representative\_Kurt\_Olson@legis.state.ak.us

**HB 346**  
**Summary of Changes**  
**Version \R to Version \E (L&C)**

During a hearing in House Labor & Commerce HB 346 was amended.

Amendment \R.1 was adopted without objection.

Amendment \R.1 deleted the word "board" in every instance and replaced it with the word "council". Because of this, the title was changed.

This change was mad to help avoid the confusion of having two workers' compensation boards.

Two sections were added to the bill repealing the Medical Services Review Committee which will no longer be needed.

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSHB 369 (FIN)  
(H) Publish Date: 3/24/10

Identifier (file name): CSHB369 (FIN)-GOV-EO-03-23-10 Dept. Affected: OOG  
Title: "An Act relating to in-state natural gas pipeline,... RDU: Executive Operations  
..project manager/team" Component: Executive Office  
Sponsor: Representative Chenault  
Requester: (H) Finance Component Number: 6

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services	1,095.2	1,095.2	1,011.6	1,021.9	1,032.5	1,036.0	1,047.0	
Travel	36.0	36.0	36.0	36.0	36.0	36.0	36.0	
Contractual	9,408.8	9,408.8	***	***	***	***	***	
Supplies	29.0	29.0	25.0	25.0	25.0	25.0	25.0	
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0	
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>10,653.3</b>	<b>10,653.3</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	10,653.3	10,653.3	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>10,653.3</b>	<b>10,653.3</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

Estimate of any current year (FY2010) cost: 0.0

**POSITIONS**

Full-time	7	7	6	6	6	6	6
Part-time							
Temporary							

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

Please see attached analysis - includes breakdown for RSA to all agencies.

Prepared by: Linda Perez, Director  
Division: Administrative Services  
Approved by: Bob Swenson, Project Manager  
Office of the Governor

Phone 465-3876  
Date/Time 3/23/10 8:30 AM  
Date 3/23/2010

CShB 369(FIN) fiscal analysis

**Office of Governor FY11: 8,053.7 plus 2,599.6 additional contractual for RSA needs for a total request of 10,653.3.**

To ensure that an in-state natural gas pipeline plan is delivered to the legislature by July 1, 2011 as set out in HB 369 (FIN), the in-state gas line project team has identified general work products, materials, and a minimum staffing level needed to direct the work for the project team. The cost associated with contractual services to perform environmental work and support of permitting, cost of service analysis, continued refinement of pipeline engineering, and development and management of development plan in FY11 will be approximately \$6.5 million. A cost of transportation estimate to provide pipeline and facility costs are scheduled to be completed by July 1, 2010, which will provide partial data for cost of service models. These costs will help determine commercial viability of a pipeline. The additional \$2.6 million is for RSA monies to agencies duties outlined below.

**OFFICE OF THE GOVERNOR:**

**PERSONAL SERVICES: 1,095.2** - increased to include 7 staff for first year as follows:

Project Manager Rg 26  
Engineering Manager Rg 26  
Commercial Manager Rg 26  
Legislative Liaison/Public Outreach Officer Rg 23  
Finance/budget analyst Rg 22  
Schedule Coordinator Rg 21  
Technical Writer Rg 19 (first year only)

Current 6500.0 operating budget request includes 322.2 for personal services. Fiscal note increases total personal services to 1,095.2 for 7 staff in first year. Following years reduce staff to 6 and include scheduled merit increases for all but professional staff.

**TRAVEL: 36.0** – reflects original travel request in FY2011 Governor's budget request.

**CONTRACTUAL: 6,809.2 + 2,599.6 (Total 9,408.8)**

Current 6500.0 operating budget request includes 6,130.0 for contractual. Fiscal note increases contractual to include commercial analysis of downstream industrial opportunities, public outreach and information dissemination, and annual lease space for 7 staff during the first year. Second and subsequent fiscal year contractual costs are indeterminate.

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

CSHB 369(FIN) fiscal analysis (continued)

Contractual (continued)

100.0 for public outreach, information dissemination, printing, advertising, postage.

79.2 first year office lease space – reduces to 75.3 for second and subsequent years

2599.6 RSA funding requirements – see below

**SUPPLIES:** 29.0 increases FY2011 operating budget request to 29.0 for increased staff and fast-track activities, reducing to 25.0 for second and subsequent years.

**EQUIPMENT:** 84.3 one-time office set-up.

**Office of Governor FY12 & Beyond: Contractual; Indeterminate**

Fiscal responsibility for FY12 and beyond is indeterminate at this time. These costs may include preconstruction engineering, procurement of natural gas, purchase of ENSTAR Bullet Line data package, potential application for extension of LNG export license, and other engineering and commercial activities that provide for a gasline that is operational by December 31, 2015. The State's ability to transfer the project to private investors is likewise unknown. If unsuccessful, the State may assume liability for a portion, or all of the construction costs. These costs will depend on what is determined and approved from the development plan, if anything, and could range from tens of millions to over 5 billion dollars, depending on the level of participation by the State.

**Breakdown of RSAs to state agencies: 2599.6 as follows:**

**AHFC FY11: 500.0**

This fiscal note is an estimate of what funds would be necessary for the Alaska Housing Finance Corporation should House Bill 369 become law. The preparation of a comprehensive financing plan would be completed once cost estimates for the project are available.

Contractual services will consist of Financial Advisors and legal counsel.

FY12: 0

**DEC FY11: 121.1**

The Department of Environmental Conservation (DEC) fiscal note reflects a project coordinator to be located in the Office of the Commissioner to coordinate with the joint in-state pipeline development team in evaluation of necessary environmental permitting, environmental impact statement review, Alaska Coastal Management

CSHB 369(FIN) fiscal analysis (continued):

DEC (continued)

Program coordination, as well as compliance and enforcement activities for an in-state natural gas pipeline.

**FY12+: Indeterminate**

The costs of the environmental permitting for pipeline construction is indeterminate at this time, this fiscal note does not account for any permitting activities that may occur after the in-state pipeline plan is submitted to the legislature by July 1, 2011.

**DOR FY11: 1000.0**

Travel 50.0

Contractual 950.0

Department of Revenue working as part of the development team with experienced contractors and contractor firms to execute major elements of the assigned tasks.

1. Identify opportunities for delivering North Slope gas to rural & maritime Alaska
2. Identify and negotiate with potential gas suppliers and potential gas consumers
3. Develop pro-forma financials for the project
4. Develop a partnering agreement with a pipeline company
5. Provide a design, construction schedule, and cost estimate for an LNG plant
6. Develop and execute a public information and outreach plan

CSHB 369(FIN) fiscal analysis (continued):

### **DOT FY11: 610.8 plus 367.7 for DNR State Pipeline Coordinators Office**

The Department is a member of the joint pipeline development team and is the applicant for the right-of-way (ROW). A Engineer V will serve as the technical expert for the commissioner and as the technical lead for the Department's responsibilities. As the applicant for the ROW, a ROW agent will coordinate the ROW portions of the plan, providing the technical expertise to assist in determining the intricacies associated with potential routes, and will start initial coordination with utilities that are currently in the ROW. An environmental impact analysis manager will oversee and provide technical expertise for the environmental impacts and permits needed for activities in the department's ROW. Additional, costs are for

Personnel Services **418.7**

Travel **45.0**

Contractual **87.1**

Supplies **60.0**

**ADDITIONAL CONTRACTUAL FOR DOT: 367.7** needed for interagency funding to DNR State Pipeline Coordinators Office to be used by DNR as detailed below.

#### **DOT FY12 +: Indeterminate**

The costs for activities after the plan is submitted on July 1, 2011 are undetermined at this time.

#### **(DNR FY11): 367.7**

All State Pipeline Coordinator Office (SPCO) costs associated with the right-of-way permitting process, preparation of the Commissioner's Analysis, Proposed Decision and Action, construction oversight, and operational oversight are reimbursable pursuant to AS 38.35.140(b). Costs reflected in this fiscal note are reimbursable under AS38.35.140(b). Positions and efforts identified for SPCO work will utilize existing positions to the greatest extent possible. If additional SPCO or MLW positions are necessary they will be established as Long Term Non-Perm positions.

In the preparation of this fiscal note certain assumptions have been made:

#### **State Pipeline Coordinators Office (SPCO)**

1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes, although their costs associated with permitting the right-of-way may be reimbursable by the applicant through the SPCO.

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

- 2) The right-of-way lease applicant, pursuant to AS 38.35. 140(b), will reimburse DNR's (and other participating state agencies as well) work associated with delivery of a right-of-way lease.
- 3) DLMW has completed a separate fiscal note, however portions of their costs may be reimbursable by the applicant through the SPCO.
- 4) Existing Program Receipt Authority will be used for the project.
- 5) DGGS cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.
- 6) Construction and operational oversight begins in FY2012 and FY2014, respectively. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.), although their costs may be reimbursable by the applicant through the SPCO.
- 7) Assume SPCO will administer material sites after initial sale.
- 8) Assume a two-year construction schedule segregated into four geographic areas.

FY2011 costs to DNR/SPCO would include expenses to support the duties of the development team in preparing the project plan and the Analyses necessary to prepare project applications, supporting documentation, and the preparation for an expedited state review of the proposed actions. Costs for FY2011 do not include any expenses towards processing a right-of-way lease applications. Expenses associated with the right-of-way permitting process are projected to start in FY2012.

**FY2011 PERSONAL SERVICES COST - \$ 200.3 total (for 12 months)**

**BREAKDOWN of DNR FY11 costs**

**1- STATE PIPELINE COORDINATOR'S OFFICE**

Positions in Anchorage; for preparing the project plan and analyses.

- one State Pipeline Coordinator (SPC) (range 26) - total 1 month at \$9.7/month = \$9.7
- one Natural Resource Specialist (NRS) III (range 18)- total 3 months/yr at 7.31/month = \$21.93
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$8.20

**\$90.34 for FY 11 Total**

**2- OFFICE OF PROJECT MANAGEMENT AND PERMITTING**

Position in Anchorage; for coordination of a project Health Impact Assessment.

- Natural Resource Specialist (NRS) III (range 18) - total = \$10.0

**\$10.0 for FY 11 Total**

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

**3 - DIVISION OF COASTAL AND OCEAN MANAGEMENT**

One position in Anchorage; for conducting the project Alaska Coastal Management Program process.

-one Natural Resource Specialist (NRS) III (range 18)-

total 1 month at 7.31/month = \$7.31

\$7.31 for FY 11 Total

**3- STATE HISTORIC PRESERVATION OFFICE**

Position in Anchorage; for review and monitoring the cultural resource project program. - one Archeologist = \$20.0

\$20.0 for FY 11 Total

**4- DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS**

Positions in Fairbanks; for management of geohazards project related studies and review of existing information.

- one Geologist IV (range 21) - total 4 months = \$35.80

- one LTNP Geologist III (range 19) - total 4 months = \$25.52

- one Graduate Intern - total 4 months = \$11.32

\$72.64 for FY 11 Total

**TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY11**

Travel, contractual, and supplies to support the duties of the development team in preparing the project plan and the Analyses necessary to prepare project applications, supporting documentation, and the preparation for an expedited state review of the proposed actions.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

**5- DIVISION OF MINING LAND & WATER**

Assumptions

1) that DNR/DMLW will be required to prepare a title report regarding state owned lands in the pipeline ROW,

2) that DNR will not be required to transfer title to any state lands to DOT/PF,

3) that DOT/PF will be responsible for all title or ROW acquisitions from entities other than DNR managed state lands including lands owned by private persons, boroughs, ANCSA corporations, native allotments, and the federal government,

4) that DNR/DMLW will review and approve all land surveys associated with granting an in-state gasline ROW and developing an in-state gasline across state land,

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

5) DNR DMLW will participate in the ROW planning effort to some degree across state land, the review of the

AS 38.35 R/W lease to be prepared by SPCO for issuance to DOT/PF, and the ACMP review of the ROW, and

6) SPCO will issue AS 38.35 ROW across state lands to DOT/PF.

The costs to DMLW would include expenses during FY 11 for providing assistance during the development teams planning efforts and preapplication meetings

**PERSONAL SERVICES COST - \$86.4 total (for 12 months in FY11)**

One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for assistance with the planning effort and preparation for the authorization work in FY12.

**TRAVEL, CONTRACTUAL, SUPPLIES - \$2.0 total**

Travel would be for planning and public meetings. \$2.0 in FY11

Other contractual costs include \$5.2 for office space, telephones, core service charges and related

expenses for the new positions in FY11.

Supplies are budgeted at \$3.8 for FY11, and includes one-time start-up costs for new computers and office equipment .

### **DNR FY12 & Beyond**

The FY2012 costs to DNR/SPCO would include expenses to coordinate the participation of state agencies in the right-of-way permitting process, prepare the Commissioner's Analysis, Proposed Decision and Action, develop the draft lease and, if necessary, hold public hearings. In addition the costs include right-of-way permitting expenses for the participation of the State Historic Preservation Office (SHPO), Division of Coastal and Ocean Management (DCOM), Office of Project Management and Permitting (OPMP) and the Division of Geological and Geophysical and Surveys (DGGS). It should be noted that the proposed schedule is aggressive and in order to meet the specified timeline the right-of-way permitting process will need to be conducted independent of the federal NEPA process. The FY2012 and 13 costs reflect construction oversight activities by DNR. Operational oversight costs begin in FY2014 and continue forward.

**FY2012 PERSONAL SERVICES COST - \$ 522.42 total (for 12 months)**

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

**Breakdown of DNR FY12 and beyond.**

**STATE PIPELINE COORDINATOR'S OFFICE**

Positions in Anchorage; for completing the right-of-way leasing process.

- one Natural Resource Specialist (NRS) IV (range 21) - total 10 months at \$9.95/month= \$99.50
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Natural Resource Specialist (NRS) III (range 18)- total 6 months at 7.31/month = \$43.86
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$38.77

**\$232.64 for FY 12 Total**

Positions in Anchorage; for construction oversight.

- two Natural Resource Specialist (NRS) III (range 18)- total 6 months/yr at 7.31/month = \$87.72
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 2 months at 13.70/month = \$27.4
- Administrative Support - total = \$24.9

**\$149.43 for FY 13 and 14**

Positions in Anchorage; for operational oversight.

- one Natural Resource Specialist (NRS) III (range 18)- total 4 months/yr at 7.31/month = \$29.24
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 1 months at 13.70/month = \$13.70
- Administrative Support - total = \$10.47

**\$62.82 for FY15 Forward**

**STATE HISTORIC PRESERVATION OFFICE**

Position in Anchorage; for review and monitoring the cultural resource project program.

- one Archeologist = \$20.0

**\$20.0 for FY 12 Total**

Positions in Anchorage; for construction oversight.

- one Archeologist = \$20.0

**\$20.0 for FY 13 and 14 Totals**

**DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS**

Positions in Fairbanks; for management of geohazards project related studies and review of existing information.

- one Geologist IV (range 21) - total 12 months = \$107.4
- one LTNP Geologist III (range 19) - total 12 months = \$76.45
- one Graduate Intern - total 12 months = \$34.0

**\$217.85 for FY 12 Total**

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

**OFFICE OF PROJECT MANAGEMENT AND PERMITTING**

Position in Anchorage; for coordination of a project Health Impact Assessment.

- Natural Resource Specialist (NRS) III (range 18) - total = \$30.0

**\$30.0 for FY 12 Total**

**DIVISION OF COASTAL AND OCEAN MANAGEMENT**

One position in Anchorage; for conducting the project Alaska Coastal Management Program process.

-one Natural Resource Specialist (NRS) III (range 18)- total 3 months at 7.31/month = \$21.93

**\$21.93 for FY 12 Total**

TRAVEL, CONTRACTUAL, SUPPLIES - \$322.2 total for FY 12

Travel would be for public meeting, public hearings, agency coordination and monitoring of contractors performing field work. In addition, DGGs will require travel to complete field studies. **\$30.0 in FY12**

Contractual costs include helicopter support for DGGs studies, office space, telephones, core service charges and related

Miscellaneous costs include aerial photos, satellite imagery, field supplies and maps.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY 13 and 14

TRAVEL, CONTRACTUAL, SUPPLIES - \$10.0 total for FY 15 Forward

**DIVISION OF MINING LAND& WATER, FY12**

**PERSONAL SERVICES COST - \$465.7 total (for 12 months in FY12)**

**LAND TITLE ACTIONS**

Four positions Anchorage; for land title review and report preparation and document review and processing.

-three Natural Resource Specialist (NRS) III (range 18) - total 6 months each at \$7.24/month= \$130.32

-one Natural Resource Specialist (NRS) II (range 16) - - total 6 months each at \$6.40/month = \$38.4

**\$168.72 for FY 12 Total**

**LAND SURVEY REVIEW**

Two positions Anchorage; for reviewing land and project surveys .

-Two land surveyor II (LS) III (range 22) - 1 year each at \$109.1/year

**\$218.2 for FY 12 Total**

CSHB 369(FIN) fiscal analysis (continued):

DNR (continued)

**MATERIAL SALES**

Two positions; for preparing and executing material sales for use in pipeline R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$89.2/year for Northern Region Office Fairbanks = \$89.2

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for SouthCentral Region Office Anchorage = \$86.4

**\$175.6 for FY 12 Total**

**PROJECT REVIEWS**

One position; to participate in the R/W planning effort, the review of the AS 38.35 ROW lease, and the ACMP review of the R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 8 months each at \$86.4/year for SouthCentral Region Office Anchorage = \$57.6

**\$86.4 for FY 12 Total**

**TRAVEL, CONTRACTUAL, SUPPLIES - \$143.0 total (for 12 positions)**

Travel would be for land survey review purposes, preparation of material sales, and planning, ROW and ACMP review. \$35.0 in FY12

Other contractual costs include \$52.0 for office space, telephones, core service charges and related

expenses for the new positions in FY12 at a rate of \$5.2 per new position.

Supplies are budgeted at \$38.0 per year FY12, and includes one-time start-up costs for new computers and office equipment of \$3.8 per each new position.

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 346(L&C)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB346CS(L&C)-DOLWD-WC-03-25-10 Dept. Affected: Labor and Workforce Development  
Title Workers' Compensation Advisory Board RDU Workers' Compensation  
Component Workers' Compensation  
Sponsor Representative Olson  
Requester House Finance Component Number 344

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel	30.0		30.0	30.0	30.0	30.0	30.0	30.0
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>30.0</b>	<b>0.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1157 Worker Safety Account	30.0		30.0	30.0	30.0	30.0	30.0	30.0
<b>TOTAL</b>	<b>30.0</b>	<b>0.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

Estimate of any current year (FY2010) cost: None

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

This bill will create an advisory board within the Department of Labor and Workforce Development concerning Workers' Compensation. The board will consist of 16 members. Projected costs are based on estimated travel and per diem charges for meeting a minimum of twice a year for 3 days each.

This note revises the February 18, 2010 Fiscal Note to offset for the cost savings reflected in the House Labor and Commerce Committee Substitute for HB 346 which repealed AS 23.30.095(j) thereby terminating the Medical Services Review Committee.

Prepared by: Trena Heikes, Director  
Division: Workers' Compensation  
Approved by: Click Bishop, Commissioner  
Agency: Department of Labor and Workforce Development

Phone 465-6045  
Date/Time 3/25/10 1:20 PM  
Date 3/25/10

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: C SHB 346(L&C)  
 (H) Publish Date: 2/26/10

Identifier (file name): HB346-DOLWD-WC-02-18-10 Dept. Affected: Labor and Workforce Development  
 Title: Workers' Compensation Advisory Board RDU: Workers' Compensation  
 Component: Workers' Compensation  
 Sponsor: Representative Olson  
 Requester: House Labor & Commerce Component Number: 344

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

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel	40.0		40.0	40.0	40.0	40.0	40.0	40.0
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>40.0</b>	<b>0.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1157 Worker Safety Account	40.0		40.0	40.0	40.0	40.0	40.0	40.0
<b>TOTAL</b>	<b>40.0</b>	<b>0.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>

Estimate of any current year (FY2010) cost: None

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

This bill will create an advisory board within the Department of Labor and Workforce Development concerning Workers' Compensation. The board will consist of 16 members. Projected costs are based on estimated travel and per diem charges for meeting a minimum of twice a year for 3 days each.

Prepared by: Trena Heikes, Director  
 Division: Workers' Compensation  
 Approved by: Click Bishop, Commissioner  
 Agency: Department of Labor and Workforce Development

Phone: 465-6045  
 Date/Time: 2/18/10 2:10 PM  
 Date: 2/18/10

*copy on file*



## Workers' Compensation Committee of Alaska

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PO BOX 200361 ANCHORAGE, ALASKA 99520

February 19, 2010

The Honorable Kurt Olson  
State Capitol, Room 24A  
Juneau, AK 99801-1182

RE: HB 346

Dear Representative Olson:

I am writing on behalf of the Workers' Compensation Committee of Alaska to share our concerns about HB 346 ("An Act establishing the Workers' Compensation Advisory Board..."). The Workers' Compensation Committee of Alaska (WCCA) is an employer education and advocacy group working since the 1980's as a voice for Alaskan employers in the workers' compensation system. Its membership includes public and private employers both large and small.

HB 346 would establish an advisory board consisting of the major stakeholders in the workers' compensation process, charged with advising the Department of Labor on all matters pertaining to the application, revision, and operation of the Alaska Workers' Compensation Act. It appears this legislation evolved from the recommendations of the Medical Services Review Committee (MSRC) issued in November 2009. According to the MSRC report, this statutory advisory board would replace the informal ad hoc process by which labor and management have negotiated Alaska workers' compensation reforms over the past 25 years. The legislation proposes that the board would consist of representatives from organized labor, employers, medical care providers, insurers, the department, and the legislature. Under the bill language, labor, employer, and medical provider representatives would have voting rights at board meetings.

Although insurers, medical providers, and others may have a financial stake in the workers' compensation process, the WCCA believes that only the parties to the employment contract—employees and employers—should be voting members of the advisory board should. Employees and employers have the ultimate interest in establishing a fair and equitable workers' compensation benefit structure. For this reason, WCCA also recommends that potential employer members be selected by an established business organization such as the Alaska State Chamber of Commerce or WCCA to ensure that members have the necessary background and expertise in workers' compensation.

Historically, labor and management selected their own representatives in the ad hoc process. This minimized political agendas, and the stakeholders selected those they thought best represented their interests. WCCA opposes the current recommendations in HB 346 as outlined

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**PATRICIA WILSON, PRESIDENT; DENNIS MELLINGER, VICE PRESIDENT;  
TERRY SHURTLEFF, TREASURER; DAISY SAFFIR, SECRETARY**

in AS 23.30.275(b) and recommends that the proposed statute be amended to require the commissioner to look to organized labor and employer organizations such as WCCA or State Chamber of Commerce for their appointments of their respective representatives as outlined in (a)(1)-(a)-(2).

Further, we have concerns that the Advisory committee is being charged with making recommendations and evaluations of all aspects of workers' compensation and is therefore too broad-reaching. It is unreasonable to incorporate the duties of the MSRC into a new committee that is also charged with making recommendations on regulations and all other areas of worker's compensation law.

The Workers' Compensation Committee of Alaska believes the appointment of experienced members is essential to the success of a group such as the proposed board, and respectfully requests your consideration of the amendments we've outlined above.

Sincerely,



Patricia Wilson  
President

February 19, 2010

The Honorable Kurt Olson  
State Capitol, Room 24A  
Juneau, AK 99801-1182

RE: HB 346

Dear Representative Olson:

We are attorneys who represent employers in workers' compensation defense. We are writing to share our concerns about HB 346 ("An Act establishing the Workers' Compensation Advisory Board...").

HB 346 would establish an advisory board consisting of the major stakeholders in the workers' compensation process, charged with advising the Department of Labor on all matters pertaining to the application, revision, and operation of the Alaska Workers' Compensation Act. It appears this legislation evolved from the recommendations of the Medical Services Review Committee (MSRC) issued in November 2009. According to the MSRC report, this statutory advisory board would replace the informal ad hoc process by which labor and management have negotiated Alaska workers' compensation reforms over the past 25 years. The legislation proposes that the board would consist of representatives from organized labor, employers, medical care providers, insurers, the department, and the legislature. Under the bill language, the labor, employer, and medical provider representatives would have voting rights at board meetings.

We believe that medical providers should not have voting rights and the voting members of the advisory board should represent only the parties to the employment contract--employees and employers. Employees and employers have the ultimate interest in establishing a fair and equitable workers' compensation benefit structure. While the input of medical providers is important to the process, medical providers do not have the knowledge and necessary experience to vote on changes to the workers' compensation law dealing with nonmedical issues. For this reason, we strongly recommend that potential employer members be selected by an established business organization such as the Alaska State Chamber of Commerce or WCCA to ensure that members have the necessary background and expertise in workers' compensation. This is particularly concerning because often times Labor representatives are trained negotiators. If any person who simply owns a business or works in management of a business without any experience in negotiations or knowledge of workers' compensation law is appointed to sit on this committee, Alaska employers would be at a serious disadvantage.

Further, we have concerns that the Advisory committee is being charged with making recommendations and evaluations of all aspects of workers' compensation and is, therefore, too broad-reaching. It is unreasonable to incorporate the duties of the MSRC into

The Honorable Kurt Olson  
Page 2  
February 19, 2010

a new committee that is also charged with making recommendations on regulations and all other areas of workers' compensation law.

We also have concerns that only organized labor representatives are being considered to sit on this committee. Organized labor makes up only a small percentage of the workforce. Other aspects of the workforce should be considered and given a voice.

Historically, labor and management selected their own representatives in the ad hoc process. This minimized political agendas and the stakeholders selected those they thought best represented their interests. Appointment of these members by the Commissioner of Labor, who changes from administration to administration, only reintroduces the political agenda back into the process. WCCA opposes the current recommendations in HB 346 as outlined in AS 23.30.275((b) and recommends that the proposed statute be amended to require the commissioner to look to organized labor and employer organizations such as WCCA or State Chamber of Commerce for their appointments of their respective representatives as outlined in (a)(1)-(a)-(2).

We believe that appointment of members who are very knowledgeable in workers' compensation law and the effects of those laws are essential to the success of a group such as the proposed board, and respectfully request your consideration of the amendments we've outlined above.

Sincerely,

DAVISON & DAVISON, INC.

RUSSELL, WAGG, GABBERT &  
BUDZINSKI, P.C.

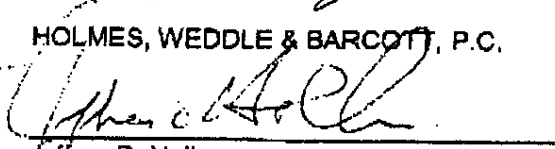
  
Shelby L. Nuenke- Davison

  
David D. Floerchinger

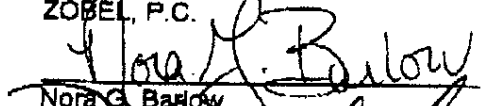
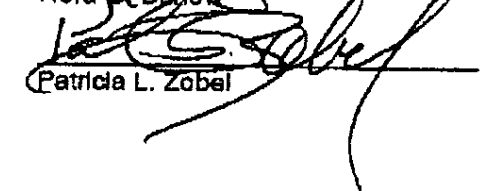
FARLEY & GRAVES, P.C.

HOLMES, WEDDLE & BARCOTT, P.C.

  
Theresa M. Hennemann

  
Jeffrey D. Holloway

DELISIO MORAN GERAGHTY &  
ZOBEL, P.C.

  
Nora G. Barlow  
  
Patricia L. Zobel

# Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

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February 22, 2010

Honorable Kurt Olson  
State of Alaska  
House of Representatives  
Chair, House Labor and Commerce Committee  
State Capitol, Room 24  
Juneau, AK 99801

RE: HB 346 – Workers Compensation Advisory Board

Dear Representative Olson:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

ASMA opposes HB346 as it is currently written. ASMA feels it is critical to have a greater presence on this advisory board. This is particularly true if the rumored “sunset” of the Medical Services Review Committee (MSRC) takes place. At a minimum, the physician community should have an equal number of voting representatives as does organized labor and employers. Additionally, ASMA recommends that those physician representatives be evenly split between proceduralists (eg. surgeons) and generalists (eg. general internists).

Testimony provided on HB314 indicated that the percentage of total Workers Compensation that relates to medical care cost is up to 72% based on the latest data for 2008. This was termed an increase in “medical severity”, a term used in the Workers Compensation technical world that encompasses a number of complex and related factors. The amount paid to a particular medical care provider is but one of the components. Other more complex components such as the trend in the injury severity, the frequency which a certain service is provided, and the trends in the change of treatment type mix (eg. a movement from a “watchful waiting” course of treatment to more complex surgical treatment) have a material effect on the total cost. (ie, the “medical severity”).

These other factors may be influenced by such elements such as treatment guidelines and the comparative effectiveness of the various treatment algorithms. The development of the comparative effectiveness for each of the numerous treatments algorithms for the possible injuries or diseases is in its infancy.

The expertise of the physician community is necessary to provide the meaningful input necessary for the Workers Compensation Board to make informed decisions. The Legislature realized this when it created the MSRC for the purpose of providing advice on the appropriateness, necessity, and cost of medical and other related services.

ASMA stands ready to assist you in these complex issues.

Sincerely,



By: Brion Beerle, MD, President  
For: The Alaska State Medical Association

# Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

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March 19, 2010

Honorable Bill Stoltze  
Honorable Mike Hawker  
Co-Chair, House Finance Committee  
Room 519, 505 State of Alaska  
House of Representatives  
Juneau, Alaska

RE: CS for HB346 (26-LS1447E) –Workers Compensation Advisory Council

Dear Representatives Stoltze and Hawker:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

CS HB346 would eliminate the existing Medical Services Review Committee (MSRC). Because of this, ASMA supports the formation of the Workers Compensation Advisory Council but strongly recommends that the physician community have parity in representation with organized labor and employers. Additionally that representation should be split evenly between physicians that are proceduralists and generalists. The representatives of organized labor and employers do not actually treat injured workers but yet will have the potential for significant effect on the process of proper medical care.

Bruce Kiessling, MD was the first representative and sole physician on the MSRC who resigned in 2009 due to a family illness. Dr. Kiessling stated it best in his resignation letter to Trena Heikes, Director of the Division of Workers Compensation. He in part stated:

“...As a member of the committee since its formation it has been curious to see some of the progress and all of the stumbles as members and leaders have worked, with good intentions, toward “reform”.

To a physician, and which is why it is so important that physicians be at the table, with any reform discussion, “reform has to include measurement of patient care as well as a structure of accountability that will improve that care.

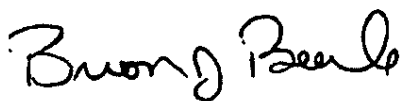
“Reform” to the committee has moved sluggishly in the first years and now with more urgency toward fee controls. It has been my strong assertion, based on 40 years in the community, that this will ultimately compromise care, or at least the best care that otherwise would be available. I have reviewed on several occasions why this will occur.

Fundamental to any of the committee discussions has to be the core issue of quality of care. Next it has to be accountability and improvement of that care. Only after that will the also hugely important issue of how will it be paid for come to the front and be discussed with integrity..."

Physicians need to be an integral part of reform to the Alaska Workers Compensation system. Indeed, outside expert medical consultants could be engaged. However, without meaningful local medical participation you will forgo local participation in the process resulting in difficulty with "buy in" to any meaningful reform, and potential serious problems with access to care for injured workers.

ASMA and I stand ready to help in the reform efforts.

Sincerely,

A handwritten signature in black ink that reads "Brion Beerle". The signature is written in a cursive, slightly slanted style.

By: Brion Beerle, MD, President  
For: Alaska State Medical Association

# Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

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February 24, 2010

Honorable Kurt Olson  
State of Alaska  
House of Representatives  
Chair, House Labor and Commerce Committee  
State Capitol, Room 24  
Juneau, AK 99801

RE: HB346 – Workers Compensation Advisory Board; Proposed Amendment (26-LS1447\R.1,Bailey, 2/15/10)

Dear Representative Olson:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

When ASMA's written testimony dated February 22, 2010 was provided, the "sunset" of the Medical Services Review Committee was rumored, now, with the above identified amendment, it is no longer rumored. Sec. 2 repeals the MSRC by repealing AS23.30.095(j). ASMA expects that this amendment will be adopted.

Given the above expectation, ASMA strongly recommends that the physician community have parity in representation with organized labor and employers. Additionally that representation should be split evenly between physicians that are proceduralists and generalists. The representatives of organized labor and employers do not actually treat injured workers but yet will have the potential for significant effect on the process of proper medical care.

Bruce Kiessling, MD was the first representative and sole physician on the MSRC who resigned in 2009 due to a family illness. Dr. Kiessling stated it best in his resignation letter to Trena Heikes, Director of the Division of Workers Compensation. He in part stated:

"... As a member of the committee since its formation it has been curious to see some of the progress and all of the stumbles as members and leaders have worked, with good intentions, toward "reform".

To a physician, and which is why it is so important that physicians be at the table, with any reform discussion, "reform has to include measurement of patient care as well as a structure of accountability that will improve that care.

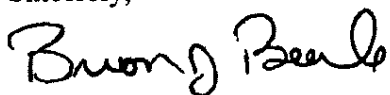
"Reform" to the committee has moved sluggishly in the first years and now with more urgency toward fee controls. It has been my strong assertion, based on 40 years in the community, that this will ultimately compromise care, or at least the best care that otherwise would be available. I have reviewed on several occasions why this will occur.

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Physicians need to be an integral part of reform to the Alaska Workers Compensation system. Indeed, outside expert medical consultants could be engaged. However, without meaningful local medical participation you will forgo local participation in the process resulting in difficulty with “buy in” to any meaningful reform, and potential serious problems with access to care for injured workers.

ASMA and I stand ready to help in the reform efforts.

Sincerely,

A handwritten signature in cursive script that reads "Brion Beerle".

By: Brion Beerle, MD, President  
For: Alaska State Medical Association

February 23, 2010

Ms. Trena Heikes  
Alaska Division of Workers' Compensation  
PO Box 115512  
Juneau, AK 99811-5512

Dear Ms. Trena Heikes:

As a fellow administrator of a state workers' compensation agency, I can feel some of the pain you must be experiencing dealing with the interest group pressure and legislative concerns over high workers' compensation costs. When any state's insurance rates stand out among its peer states, it attracts stakeholder attention, and especially by employers.

Your legislature's interest in establishing a strong labor-management advisory council to help steer the course of reform of benefits and costs is an excellent approach. My state of Wisconsin is extremely proud of the track record of our advisory council in maintaining a stable and moderate cost workers' compensation system. Legislative preemption of council legislative suggestion is unheard of in Wisconsin. There are several other states with good advisory council models.

As President of the International Association of Industrial Accident Boards and Commissions, I would be pleased to offer the assistance of the association staff in assisting you in evaluating the structure, organization, and scope of duties of successful councils. If you are interested in assistance, please contact our Executive Director, Gregory Krohm. You may have met Greg at the Minneapolis Convention. I am sure he will be glad to help research questions of particular interest to you, and seek out insights from our member states.

Sincerely,



Frances Huntley-Cooper  
IAIABC President

# NFIB

The Voice of Small Business®

ALASKA

February 17, 2010

The Honorable Kurt Olson  
State Capitol Building  
Juneau, Alaska 99801-1182

RE: House Bill 346


Dear Representative Olson:

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for House Bill 346. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

House Bill 346 creates a Workers' Compensation Advisory Board to advise the Department of Labor and Workforce Development on workers compensation issues. It is important to have those affected by policies that will be adopted relative to workers' compensation.

We would request that you consider requiring that one employer member be from a small business as our concerns are different from those of larger, perhaps multi-state employers, found in the oil industry and self insured employers.

Sincerely yours,

  
Dennis L. DeWitt  
Alaska State Director

Cc: NFIB/AK Leadership Council