

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0 - 2,908,373		0 - 2,908,373	
CASH FUNDS	0 - 1,152,374		0 - 1,152,374	
FEDERAL FUNDS	0 - 878,000		0 - 878,000	
OTHER FUNDS	0 - 548,749		0 - 548,749	
TOTAL FUNDS	0 - 5,487,496		0 - 5,487,496	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill will change workers' compensation disability compensation provisions.

STATE IMPACT: This bill could increase the state's workers compensation expenditures because it allows member injuries to be treated as whole body injuries under certain conditions. Member injuries are paid according to the schedule set out in law, and whole body injuries are compensated by a loss of earning capacity estimate determined by a court.

The minimum cost to the state would be zero. This estimate assumes all claims would be paid as they currently are paid.

The maximum increase in workers compensation expenditures is estimated in the following table that uses data from the Department of Administrative Services Risk Management Division (DAS):

1. Annual Claims	218
2. Workers' compensation benefit for state employees	461
3. Annual increase in expenditures for workers compensation claims	5,225,896
4. Administrative cost per claim to determine loss of earning capacity	1,200
5. Annual increase in expenditures for workers compensation administrative costs	261,600
TOTAL ANNUAL INCREASE IN EXPENDITURES FOR CLAIMS & ADMINISTRATIVE COSTS	5,487,496

The estimate in the above table is then allocated by fund source and displayed in the boxes at the top of this fiscal note. All fund sources would be impacted because DAS charges agencies an assessment to pay for workers compensation costs.

Please note that on the response of DAS they show the same amounts in the boxes at the top under both "EXPENDITURES" and "REVENUE". From the viewpoint of DAS, this is accurate since DAS charges all agencies a workers compensation assessment (revenue) that must cover anticipated workers compensation claims (expenditures). From the perspective of this fiscal note, it is only shown as expenditures since no additional revenue will be generated by this bill to pay for these estimated additional expenditures.

Notes to the above table, summarized from DAS:

1. Annual Claims. There are approximately 218 claims per year (3 year average) where there are multiple injured members.
2. The workers' compensation benefit is calculated as follows: \$35,990 average annual state employee salary, divided by 52 weeks in a year equals the state employee average weekly wage of \$692. The workers' compensation benefit is 66 2/3 percent of the average weekly wage, which is \$461. This amount is lower than the current maximum of \$617.
3. The maximum annual fiscal impact to the state is estimated as follows:

$$\$461 \text{ workers' compensation benefit} \times 52 \text{ weeks per year} \times 218 \text{ average yearly claims} = \$5,225,896.$$

The maximum estimate assumes all 218 claimants are paid under the loss of earning capacity rather than by the member schedule.

4. DAS also notes that administrative costs may increase. Because the determination of whether to pay based on the scheduled member benefits or loss of earning capacity would be determined by the court on a case-by-case basis, the administrative costs associated with each claim would increase as it would be necessary to determine the loss of earning capacity on each of these claims, a requirement not in effect now. The average administrative cost to determine loss of earning capacity is approximately \$1,200.
5. Increase in administrative costs is \$261,600 per year: 218 claims x \$1,200 average administrative costs per claim.

DAS also notes that litigation costs could increase.

The Workers Compensation Court (WCC) estimates no fiscal impact.

IMPACT ON POLITICAL SUBDIVISIONS: This bill could increase the workers compensation expenditures of political subdivisions in a manner similar to the state impact noted above. This amount is not known at this time.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Rich Robinson	DATE	2/7/07	PHONE	471-2526
COMMENTS					
DEPARTMENT OF ADMINISTRATIVE SERVICES: No basis to disagree.					
NEBRASKA WORKERS COMPENSATION COURT: No fiscal impact.					