

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
REVOLVING FUNDS	\$616,746		\$762,281	
TOTAL FUNDS	\$616,746		\$762,281	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 719 seeks to make the following changes to the Nebraska Workers' Compensation Act:

- 1) Require payment for interpreter services
- 2) Change provisions relating to the right to select a physician
- 3) Change compensation schedules
- 4) Change maximum and minimum weekly income benefits
- 5) Change calculation of wages
- 6) Require annual cost-of-living adjustments to benefits as prescribed
- 7) Require payment of benefits to a personal representative

The Department of Administrative Services (DAS) has estimated the fiscal impact for each of the proposed changes, as per their attached document. The following table summarizes the estimates in their narrative:

	FY2022-23	FY2023-24
Temp. Total Disability	185,180	185,180
Temp. Partial Disability	26,883	26,883
Perm. Total Disability	55,919	55,919
Perm. Impairment Rating	93,823	93,823
COLA applied to 4-year avg.	79,670	159,341
200% Max weekly benefit incr.	32,503	65,006
50% Min weekly benefit incr.	33,361	66,722
Death benefits	34,315	34,315
Total Estimate	616,746	762,281

DAS Risk Management Workers' Compensation program is administered with Revolving funds, funded by an annual assessment that includes all agencies, boards and commissions, and the university and state college systems. Any increase in costs to DAS would be passed along to these entities by way of an increased assessment. While the exact future impact to assessments is to be determined, DAS will soon begin the actuary study for the FY2023-2025 biennium. New assessments will be established and finalized in the May/June 2022 timeframe. DAS intends to factor anticipated cost increases into their process with the passage of LB719.

These additional costs would result in the need for additional revolving fund appropriation as identified above. The Fiscal Office has no basis to disagree with the estimates calculated by DAS.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 719	AM:	AGENCY/POLT. SUB: Department of Administrative Services	
REVIEWED BY: Jacob Leaver	DATE:	PHONE: (402) 471-4173	
COMMENTS: Concur with the Department of Administrative Service's estimated fiscal impact to the agency as a result of LB 719.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 719	AM:	AGENCY/POLT. SUB: University of Nebraska (51)	
REVIEWED BY: Joe Wilcox	DATE: 01/18/2022	PHONE: (402) 471-4178	
COMMENTS: No basis to disagree with the University of Nebraska estimate of No current, but potential future Fiscal Impact to the Agency from LB 719.			

Please complete ALL (5) blanks in the first three lines.

2022

LB⁽¹⁾ 719

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Dept of Administrative Services (DAS) – Risk Management Division

Prepared by: ⁽³⁾ Allen Simpson Date Prepared: ⁽⁴⁾ 01/21/2022 Phone: ⁽⁵⁾ (402)471-4436

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>616,746</u>	<u>616,746</u>	<u>762,281</u>	<u>762,281</u>

Explanation of Estimate:

LB 719 would provide significant increases in benefits to those receiving workers' compensation. The average weekly wage and temporary total disability (TTD) would increase from its current 66 2/3% to 80% for an increase of 13 1/3%. Permanent partial disability (PPD) would increase from 66 2/3% to 75% for an increase of 8 1/3%.

Partial disability benefits would increase from 300 total weeks to 500 total weeks of payable benefits.

Maximum weekly income benefits will increase by 200%, computed to the next higher whole dollar, of the state average weekly wage on January 1, 2023, and each January 1 thereafter.

Minimum weekly income benefit will be 50%, computed to the next higher whole dollar, of the state average weekly wage.

This bill will have a significant impact on the Workers' Compensation Fund and will continue with the addition of the annual cost of living provision beginning January 1, 2023.

Using a four-year average on workers compensation claims we can extrapolate the additional costs below:

Temporary Total Disability – 4-year average of \$1,389,199 times the additional 13.33% = \$185,180

Temporary Partial Disability – 4-year average of \$201,672 times the additional 13.33% = \$26,883

Permanent Total Disability – 4-year average of \$671,292 times the additional 8.33% = \$55,919

Permanent Impairment Rating – 4-year average of \$1,126,323 times the additional 8.33% = \$93,823

Increase for permanent partial disability payments from 300 weeks to 500 weeks would create an additional cost. We have had 4,825 indemnity payments with a four-year average of \$1,126,324. Utilizing an estimated 10% of these payments to include loss of earning capacity the additional cost would be \$75,092 (\$1,126,323 x 66 2/3 = \$75,092,000 x 10% = \$75,092).

Death benefits would also increase from 66 2/3% to 75% if there are no kids for an increase of 8 1/3 %. If there are kids it will increase from 60% to 69% for an increase of 9%. If the children aren't living with the widow or widower, the increase is from 55% to 60% a 5% increase and there would be an additional increase for 15% to 24% for each child. Estimated Death Benefits Widow/Widower – Four Year average of \$324,922 times the additional 8.33% = \$27,066 annually. The four-year average for one child is \$9,682 and for two children is \$35,428. For those with one child the increase would be \$871 (\$9,682 x 9% = \$871) and two children (only one case) the average increase would be \$3,189 (\$35,428 x 9% = \$3,189) and an additional 9% for the second child of \$3,189.

There has only been one death with no dependents since January 2018. It is assumed the benefits would be paid to the estate. No increase was calculated for this fiscal note.

A cost-of-living increase (COLA) would impact temporary total disability, total partial disability, and permanent partial disability. It is difficult to determine the eligibility and the total impact of a COLA on these three categories. A 5% cost of living increase based on the prior four year averages each year would add an estimated \$159,341 and would increase each year.

By increasing the maximum weekly benefit by 200% of the state's average weekly wage starting on January 1, 2023, will have an estimated annual cost of \$65,006 based on the previous four-year history. There were 822 payments that would have been impacted for a total increase of \$260,020, with a four-year average increase of \$65,006 for FY23-24 and \$32,503 in FY22-23 (January-June 2023).

By increasing the minimum weekly benefit to 50% of the state's average weekly wage on January 1, 2023, this will have an estimated annual cost of \$66,722 based on the previous four-year history. There were 7,014 payments that would have been impacted for a total increase of \$267,005, with a four-year average increase of \$66,722 for FY23-24 and \$33,361 in FY22-23 (January-June 2023).

It isn't possible to estimate the possible costs of providing interpretation services.

Total impact to the Workers' Compensation Fund based on the information above would be approximately \$762,281 annually without any adjustments for possible increases in the average hourly rate because of salary increases. Recent pay line increases and changes to various union contracts will also impact the calculations of future average hourly rates.

The DAS Risk Management Workers' Compensation program is a revolving fund program and is funded by an annual assessment that includes all agencies, boards and commissions, the university and state colleges. Any increase in costs could increase the amount assessed.

These additional costs would result in the need for additional revolving fund appropriation. In FY22-23 \$616,746 for a half year of the estimated cost of living increase and increases to the maximum and minimum increases that are \$145,534 ($\$291,069 / 2 = \text{less } \$145,534$) and \$762,281 in FY23-24.

These increases would also require an increase in the workers' compensation assessment. The biennial FY21-23 workers' compensation assessment has already been published and would need to be adjusted, thus impacting other agencies, boards, and commissions, the university, and the state colleges.

The table below summarizes the estimated impact by fund type of the increased enterprise-wide workers' compensation assessment. The allocation by fund type is based on a four-year (2018-2021) average of the payment of previous workers' compensation assessments.

Fund Type	FY22-23 Expenditures	FY23-24 Expenditures
General Fund	\$342,778	\$423,664
Cash Fund	\$162,946	\$201,396
Federal Fund	\$92,102	\$113,836
Revolving Fund	\$18,920	\$23,385
Total	\$616,746	\$762,281

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	NUMBER OF POSITIONS		2022-23	2023-24
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			616,746	762,281
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			616,746	762,281

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2022

LB ⁽¹⁾ 0719 Change provisions under the Nebraska Workers Compensation Act relating to physicians, compensation, and benefits and require cost-of-living adjustments **FISCAL NOTE**

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System

Prepared by:⁽³⁾ Chris Kabourek Date Prepared:⁽⁴⁾ 01/11/2022 Phone:⁽⁵⁾ (402) 472-7102

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	0.00	0.00	0.00	0.00
CASH FUNDS	0.00	0.00	0.00	0.00
FEDERAL FUNDS	0.00	0.00	0.00	0.00
OTHER FUNDS	0.00	0.00	0.00	0.00
TOTAL FUNDS	0.00	0.00	0.00	0.00

Explanation of Estimate:

This bill would change the Nebraska Workers' Compensation program and would require payment for interpreter services and would increase some of the compensation schedules in the existing Workers Compensation program.

The University of Nebraska System participates in the State of Nebraska Workers Compensation program, which is administered by the Department of Administrative Services (DAS). DAS allocates the cost of the Workers Compensation program to state agencies, including the University. DAS would incur any increased cost that results from this proposed legislation. It is conceivable that DAS would increase future cost allocations for the Workers Compensation program to the University and other state agencies to pay for the changes in the bill.

Due to the unknown future DAS cost allocations and the likelihood that the increases will be passed on to all state agencies, we are unable to determine the precise fiscal impact on the University of Nebraska System.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2022-23	2023-24
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	0	0		
	0	0		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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2022

LB⁽¹⁾ 719

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Rea Easton Date Prepared: ⁽⁴⁾ 01/27/2022 Phone: ⁽⁵⁾ 402-416-6809

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: There is no fiscal impact to the Nebraska Department of Labor for LB 719.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____