

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Updated to include the response of Douglas County.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

This bill would change provisions relating to the date when compensation begins under the Nebraska Workers' Compensation Act.

DAS Risk Management estimates additional Revolving Fund expenditures of almost \$57,000, and they also show increased revenue by the same amount. See the agency response attached for additional details not included in this fiscal note.

The state's workers' compensation program is funded by annual assessments against all agencies, boards and commissions, the university, and state colleges. Any increase in costs could increase the amount assessed against such entities. Workers' compensation assessments are based on actuarial studies that identify actual claims and loss history for each agency. Therefore, such costs must occur before they can be worked into the assessments charged to any agency or other entity impacted by this bill. The Workers' Compensation Claims Fund (Fund 58920) had a FY20 ending balance of about \$11.9 million. If this bill has the impact that DAS Risk Management estimates, this balance should give them a cushion to cover any increased costs imposed by this bill until they are able to work such costs into the workers' compensation assessments.

The Workers' Compensation Court estimates no fiscal impact from this bill.

Lancaster County estimates no fiscal impact from this bill.

Douglas County estimates an unspecified fiscal impact to pay additional days of benefits. See their response attached for additional details not included in this fiscal note.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 207	AM:	AGENCY/POLT. SUB: Department of Administrative Services (65) – Risk Management Division	
REVIEWED BY: Joe Wilcox	DATE: 01/21/2021	PHONE: (402) 471-4178	
COMMENTS: Do not disagree with the assumptions or method used by the DAS Risk Management Division in estimating potential fiscal impact to the Agency, and, by extension, potential impact, by fund type, to other state agencies for increases in Workers Compensation assessments as a result of the provisions of LB 207.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 207	AM:	AGENCY/POLT. SUB: Nebraska Workers' Compensation Court (37)	
REVIEWED BY: Joe Wilcox	DATE: 01/12/2021	PHONE: (402) 471-4178	
COMMENTS: No basis to dispute the Nebraska Workers' Compensation Court estimate of No Direct Fiscal Impact to the operations of the Agency from LB 207.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 207	AM:	AGENCY/POLT. SUB: Lancaster County
REVIEWED BY: Joe Wilcox	DATE: 01/12/2021	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Lancaster County estimate of No Fiscal Impact to the County from LB 207.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 207	AM:	AGENCY/POLT. SUB: Douglas County
REVIEWED BY: Joe Wilcox	DATE: 03/01/2021	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Douglas County estimate of potential, but Indeterminate Fiscal Impact to the County from LB 207.		

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

2021

LB⁽¹⁾ 207

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⁾ 1/12/2020 Phone: ⁽⁵⁾ (402) 471-4436

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	\$56,883	\$56,883 ⁽¹⁾	\$56,883	\$56,883 ⁽¹⁾
TOTAL FUNDS	<u>\$56,883</u>	<u>\$56,883</u>	<u>\$56,883</u>	<u>\$56,883</u>

⁽¹⁾ See the table below for the enterprise wide impact by fund type for the increase in revenue.

Explanation of Estimate:

LB 207 seeks to change the date disability compensation begins from the workers' compensation fund from the eighth calendar day to the fourth calendar day (four additional days), which reduces the waiting period by 50%. It also allows disability compensation to begin on the first date disability began instead of day four (three additional days) if the disability lasts two weeks or longer, as opposed to the current six-week requirement. This would increase the claim conversions from medical only claims to indemnity claims for Temporary Total Disability (TTD)/Temporary Partial Disability (TPD).

From July 1, 2019 to June 30, 2020 (FY19-20), there were 119 reported claims which fell during the waiting period of four to seven days. Using an average rate of \$15/hour, an average weekly wage would be \$600 (\$15 x 40 hours per week = \$600). TTD payments equal 2/3 of the average weekly wage (\$600 x 2/3 = \$400). The additional 4 days of compensation owed for these 119 claims would be calculated as follows:

$$\text{Weekly Rate} / 7 = \text{Daily Rate} \times 4 \text{ days} = \text{Total Additional Compensation Per Claim}$$

$$\$400 / 7 = \$57.14 \times 4 = \$228.56$$

Based on the **FY19-20** reported claims, this would have equated to **\$27,198.64** in additional payments (\$228.56 additional cost x 119 claims = \$27,198.64).

Reducing the time frame from six weeks to two weeks, in which disability compensation would begin on the first date of disability, would have resulted in 109 claims in FY19-20 being applicable for additional compensation payments of an additional 3 days of compensation calculated as follows:

$$\text{Weekly Rate} / 7 = \text{Daily Rate} \times 3 \text{ days} = \text{Total Additional Compensation Per Claim}$$

$$\$400 / 7 = \$57.14 \times 3 = \$171.42$$

Based on the **FY19-20** reported claims, this would have equated to **\$18,684.78** in additional payments (\$171.42 x 109 claims = \$18,684.78).

Total FY19-20 Additional Payments: \$27,198.64 + \$18,684.78 = \$45,883.42

From July 1, 2018 to June 30, 2019 (FY18-19), there were 192 reported claims which fell during the waiting period of four to seven days. Using the same average weekly wage described above, the additional 4 days of compensation owed for these 192 claims of **FY18-19** would have equated to **\$43,883.52** in additional payment (\$228.56 x 192 claims = \$43,883.52).

Reducing the time frame from six weeks to two weeks, in which disability compensation would begin on the first date of disability, would have resulted in 140 claims being applicable for additional compensation payments of an additional 3 days of compensation. Using the same average weekly wage described above, the additional 3 days of compensation owed for these 140 claims of **FY18-19** would have equated to **\$23,998.80** in additional payments (\$171.42 x 140 claims = \$23,998.80).

Total FY18-19 Additional Payments: \$43,883.52 + \$23,998.80 = \$67,882.32

Average for FY18-19 & FY19-20: \$56,883

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 and an increase in the Workers' Compensation Assessment. The biennial FY21-23 Worker's 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 average for the two fiscal years described above ($\$45,883.42 + \$67,883.32 / 2 = \$56,883$) is used below, without any adjustments for possible increase in the average hourly rate as a result of salary increases.

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 (2016-2019) average of the payment of previous Workers Compensation Assessments.

	FY22-23	FY23-24
	Expenditures	Expenditures
General Funds	\$31,377	\$31,377
Cash Funds	\$14,714	\$14,714
Federal Funds	\$8,754	\$8,754
Revolving Funds	\$1,738	\$1,738
Total Funds	\$56,883	\$56,883

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2021-22	2022-23
	21-22	21-23	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$56,883	\$56,883
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$56,883	\$56,883

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

2021

LB⁽¹⁾ 207

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Workers' Compensation Court

Prepared by: ⁽³⁾ Jill Gradwohl Schroeder Date Prepared: ⁽⁴⁾ January 11, 2021 Phone: ⁽⁵⁾ (402) 471-3602

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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:

LB 207 is not expected to have a direct fiscal impact upon the operations of the Nebraska Workers' Compensation Court.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2021

LB⁽¹⁾ 207 no fiscal impact

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ County of Lancaster NE

Prepared by: ⁽³⁾ Sue Eckley Date Prepared: ⁽⁴⁾ 1/12/21 Phone: ⁽⁵⁾ 402-441-6510

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	0			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0			

Explanation of Estimate:

Lancaster County provides full pay to injured workers for the first ten working days missed. After that workers' compensation pay begins.

LB 170 AND LB 207 ARE IDENTICAL.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2021

LB207⁽¹⁾ *Change provisions relating to the date when compensation begins under the Nebraska Workers' Compensation Act*

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ DOUGLAS COUNTY, NEBRASKA

Prepared by: ⁽³⁾ Marcos San Martin, County Administration Date Prepared: ⁽⁴⁾ 2/26/2021 Phone: ⁽⁵⁾ 402.444.5116

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Explanation of Estimate:

NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY

As proposed, LB207 would require Douglas County to pay an additional three (3) days of benefits on most, if not all of its claims at varying rates depending on the average wage of the injured employee. In addition, LB207 would significantly increase the number of claims which required payment of the initial four, originally seven, days of disability by reducing the elimination period by 66% from six weeks to two.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22 EXPENDITURES</u>	<u>2022-23 EXPENDITURES</u>
	<u>21-22</u>	<u>22-23</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____