

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 299 (First Edition)

SHORT TITLE: Workers' Compensation for Pickup Firefighters AB

SPONSOR(S): Sen. Robinson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES	-	-	-	-	-
EXPENDITURES	See Assumptions and Methodology Section				
POSITIONS:	N/A	N/A	N/A	N/A	N/A
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources (DENR), Division of Forest Resources (DFR)					
EFFECTIVE DATE: Date of passage into law.					

BILL SUMMARY: The bill adds pick-up firefighters of DFR to the definition of “employee” contained in paragraph 2(2) of the Workers’ Compensation Act (G.S. 97; “the Act”). The significance of this addition is that a pick-up firefighter injured while working for DFR will now be eligible for weekly benefits “calculated upon the average weekly wage he was earning in the employment wherein he principally earned his livelihood.” The *minimum* benefit to which he will be entitled is “66 2/3% of the maximum weekly benefit” established annually by the Industrial Commission. The *maximum* benefit to which he will be entitled is same maximum weekly benefit to which any worker is entitled under the Act. Prior to SB299, pick-up firefighters were eligible only for benefits based on the nominal wages (\$5.00/hour) paid to them by DFR.

ASSUMPTIONS AND METHODOLOGY:

Self-Insurance

North Carolina State Government self-insures for workers' compensation. This means that rather than paying premiums based on actuarial costs, each state agency pays out to employees the exact amount of workers' compensation, partial disability, and medical costs resulting from qualified job-related injuries. Weekly benefits are based on number of weeks of work missed. Disability benefits are based on type and degree of injury. Out-of-pocket medical costs are reimbursed dollar for dollar, subject to approval by the Industrial Commission (i.e., to validate that claims for medical costs are legitimately related to work-related injury).

Projected Injuries

This analysis assumes that pick-up firefighters of DFR will experience compensable injuries in each of the next five fiscal years at approximately the same rate they have experienced such injuries in each of the previous five years. Given that this data may not predict future trends precisely, however, this analysis takes the conservative position that future injuries may tend toward the higher end of the historical range. Note that this assumption produces injury and cost estimates that are slightly higher than a true mathematical "average" of figures for the past five years.

Projected Payouts

Maximum and Minimum Weekly Benefits

Since SB 299 establishes that the minimum weekly benefit for pick-up firefighters is equal to "66 2/3% of the maximum weekly benefit" established by section 29 of the Act, the analysis must first identify the maximum weekly benefit for each of the next five years. According to statute, the maximum weekly benefit is based on the statewide average weekly-insured wage, as defined in G.S. 96-8(22). According to the Industrial Commission, for the current fiscal year this average weekly-insured wage is \$620. As per Section 29 of the Act, the maximum weekly benefit is computed using the following formula (note: the 1.10 is an inflation factor):

$$\begin{aligned}\text{Maximum Weekly Benefit} &= \text{Avg. Weekly Insured Wage} \times 1.10 \times 66 \frac{2}{3}\% \\ &= \$620 \times 1.10 \times .67 \\ &= \$456.94\end{aligned}$$

The maximum weekly benefit for FY 2000-01 is thus \$456.94. The minimum benefit to which pick-up firefighters are entitled under SB229 is 66 2/3% of this figure.

$$\begin{aligned}\text{Minimum Weekly Benefit} &= \text{Max. Weekly Benefit} \times 66 \frac{2}{3}\% \\ &= \$456.94 \times .67 \\ &= \$306.15\end{aligned}$$

The minimum weekly benefit for FY 2000-01 would therefore be \$306.15.

In order to account for the tendency of wages to rise gradually over time, this analysis assumes that the average weekly-insured wage increases annually in accordance with the inflation factors provided by the Office of State Budget, Planning and Management. (4.8%,

4.6%, 4.9%, 5.0%, and 5.0% respectively for the next five years). In the tables below, the \$620 figure has simply been adjusted for inflation in order to project minimum and maximum weekly benefits over the next five fiscal years.

Partial Disability Benefits

In addition to compensation for lost wages, the Workers’ Compensation Act also provides for permanently disabled workers to receive compensation commensurate with the degree of their disability. For example, if a worker is judged by the Industrial Commission to have developed a condition that reduces permanently some bodily ability or usage by 10%, the worker will receive a 10% Permanent Partial Disability (PPD) payment. Calculation of this payment amount also makes use of the average weekly-insured wage, capped at the statewide figure mentioned above. For a worker whose weekly average wage is \$300, his compensation for a 10% PPD would be computed as follows:

$$\text{PPD Compensation} = \$300/\text{wk} \times 10\% \times 14.4 \text{ weeks} = \$432$$

Note: the 14.4 week multiplier is a standard determined by the Industrial Commission

The following tables make use of the assumptions described above and historical data for injuries, weeks of work missed, and medical compensatory costs for pick-up firefighters of DFR.

**Historical and Projected Injuries to Pick-Up Firefighters of DFR
and Associated Costs**

Fiscal Year:	Historical					
	95-96	96-97	97-98	98-99	99-00	00-01
Compensation						
Weeks Missed	0	0	0	1	0	0
Workers’ Comp	\$0	\$0	\$0	\$43	\$0	\$0
Cases involving PPD	0	0	0	1	0	0
PPD*	\$0	\$0	\$0	\$432	\$0	\$0
Medical						
Injuries	1	0	0	5	0	0
Medical Costs**	\$833	\$0	\$0	\$5,556	\$0	\$0
Total Cost	\$833	\$0	\$0	\$5,556	\$0	\$0

* Actual and projected figures are based on Industrial Commission standard for 10% Permanent Partial Disability, which allows 10% of weekly wage for 14.4 weeks.

** Historical costs include actual costs for minor injuries, ranging from \$134 to \$833, and one serious injury, costing \$4,722. Projected figures for FY 00-01 are based on estimated treatment costs of \$4,800 per serious injury (e.g., broken ankle) and \$500 per minor injury (e.g., sprained ankle). Costs in out years are inflation-adjusted, assuming 10% inflation to account for rapid increase in medical costs over time.

	Projected				
Fiscal Year:	01-02	02-03	03-04	04-05	05-06
Compensation					
Weeks Missed	1	1	1	1	1
Workers' Comp	\$321-501	\$336-525	\$352-551	\$370-578	\$388-607
Cases involving PPD	1	1	1	1	1
PPD*	\$721	\$756	\$793	\$832	874
Medical					
Injuries	3	3	3	3	3
Medical Costs**	\$1,650- 15,840	\$1,815- 17,424	\$1,997- 19,166	\$2,197- 21,083	\$2,417- 23,191
Total Cost	\$2,692- 11,129	\$2,907- 12,180	\$3,142- 13,333	\$3,399- 14,600	\$3,679- 24,672

Fiscal Impact on DENR Budget

As evidenced by the above projections, making pick-up firefighters of DFR eligible for weekly benefits calculated upon the average weekly wage they were earning in the employment wherein they principally earned their livelihood will likely increase DFR's expenditures for workers' compensation in each of the next five fiscal years. This analysis therefore concludes that SB299 will have some negative fiscal impact on the DFR budget. Since this impact is small relative to the Division's overall budget, however, the fiscal impact may not be considered significant.

DENR has indicated that the above-identified potential costs would have practically no impact on program operation, as these costs could be absorbed without difficulty within DFR's budget. Specifically, DENR has asserted that these costs could be covered by shifting lapsed salary funds or funds from other budget line items whose reduction would not have a significant adverse effect on program operation.

FISCAL RESEARCH DIVISION 733-4910

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