

BDR 53-546
AB 207

LOCAL GOVERNMENT
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 8, 2007

Agency Submitting: Local Government

Items of Revenue or Expense, or Both	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Effect on Future Biennia
Total				

Explanation

(Use Additional Sheets of Attachments, if required)

See attached.

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LOCAL GOVERNMENT RESPONSES
AB 207 / BDR 53 - 546

	Impact	FY 2007 - 08	FY 2008 - 09	Future Biennia	Comments
Carson City	No impact				
City of Henderson					The proposed legislation will not have a significant fiscal impact on the city of Henderson.
City of Las Vegas	No impact				Immaterial fiscal impact. Minimal savings in money and administrative time. This bill does not serve the workers of Nevada well.
City of North Las Vegas					Too many variables and unanswered questions to determine a fiscal impact.
					This bill provides for payment of a lump-sum cash benefit at \$4,000 per 1 percent of disability to employees who are unable to return to their pre-injury jobs, with minimum benefit of \$10,000 and maximum benefit of \$40,000. This bill also eliminates current requirement to provide vocational rehabilitation services or lump sum buyouts (LSBOs) to these workers. In order to develop a basis for a fiscal impact estimate, I analyzed City's history of payments for vocational rehab programs and LSBOs over past 5 years and compared to the cost of lump-sum cash benefits for each claim calculated pursuant to BDR 53-546. Interesting results: Additional cost would have been about \$2,300 per claim on average (\$48,000 total) IF the min/max proposed in the bill are applied. This is because vocational rehab programs are very expensive. HOWEVER, if min/max provision is dropped from the bill, the additional cost of the proposed benefit would have
City of Reno					

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City of Reno (cont)	Increase in Expense	\$48,000	\$48,000	\$48,000	been significantly higher, averaging about \$18,100 per claim (or \$380,000 total). So this bill is one to watch carefully for amendments that can have a significant impact. Other important factors to consider: 1. When lump sum benefits are required, cost must be borne all at once vs. over time as with rehab. programs, so this creates cash flow issues. 2. When claimants receive lump-sum cash benefits in lieu of rehab., they are very unlikely to actually get voc. retraining on their own. So when the money is gone, there is a propensity to find ways to reopen claims in order to obtain more benefits. NV has lifetime reopening rights so this is a concern.
City of Sparks	No impact				Primary concern with this BDR is that there is nothing preventing the re-opening of a claim. If the bill were amended to make it clear that the person could not re-open the claim, our entities worker's compensation premiums would be impacted with only a 1% increase. As it is currently worded, there is nothing to prevent an employee from coming back multiple times and being awarded the \$40,000 maximum each time. If that is allowed by the legislation, worker's compensation premiums would increase 10 - 20%, or higher initially and depending on numbers of claims over time could double.
Churchill County	Increase in Expense	\$39,000	\$43,000	\$100,000	Fiscal Impact: Increased — based on historical data, the formula at Section 7, sub 6 & 7 would place a cap on upper end of impairment percentages, it increases the costs of the lower
Clark County					

	Impact	FY 2007 - 08	FY 2008 - 09	Future Biennia	Comments
Clark County (cont)					percentage impairments, which the majority of the payments are at the lower percentages. Cost could increase into hundreds of thousands of dollars per year but unable to determine as there are too many unknown factors.
Douglas County	Increase in Expense	\$12,400	\$13,000		Fiscal note is based on an estimated 1% increase in our workers compensation cost as a result of this legislation, which is approximately \$1,247,340 annually. FY 2008 - 09 fiscal note is based on a 3% estimated increase in workers compensation costs.
Esmeralda County					This is more of an insurance issue. It would be hard to predict the cost to the county, as any costs will be passed on to us thru an increase of premium.
Eureka County					This will probably have impact on our workers compensation insurance premium but I am unable to calculate the exact amount. The increase to expenses should be minimal.
Humboldt County					We cannot determine the fiscal impact because we cannot estimate the number of employees who may get hurt and fit under the proposed guidelines. We believe this bill has impact, but can't determine the amount.
Lander County	Increase in Expense	\$1,372	\$2,745	\$3,020	Has the potential to increase workers compensation costs by 5 - 10% per year.
NACO					This has the potential to increase lower classified injuries and therefore increased fiscal impact to local governments. The true fiscal impact is based on cases that are unknown at this time
Washoe County					This proposal repeals most of the provisions regarding vocational rehabilitation and replaces the programs with cash awards based on degree of

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Washoe County (cont)	Increase in Expense	\$60,000	\$60,000	\$120,000	disability. Washoe County can anticipate two potential rehab programs per year. With an expected payout of \$40,000 per program, offset by a current buyout average of \$10,000 per program, an increase in cost of \$60,000 per year can be expected. (2 X \$40,000 - 2 X \$10,000 = \$60,000) The district does not experience many worker's comp injuries, but may be impacted by this change in legislation if the premiums for coverage increase due to this new methodology. Estimating the potential for premium increases due to this change in compensation for injuries and loss of capacity to perform a particular job would not be a reliable dollar value. The assumption used in this fiscal note is a payment and cost equal offset. The cost of rehab is offset by the payment and not premium increase is expected.
Carson City School District					Applying the formula outlined in this bill, expenditures would jump dramatically from \$338,308 to \$892,000, an aggregate increase of 164%. Additionally, setting an automatic compensation of at least \$10,000 to be paid to anyone who is unable to return to his or her usual and customary occupation would surely become a disincentive to continue to work
Clark County School District	Increase in Expense	\$550,000	\$625,000	\$700,000	Douglas County School District maintains a self-funded workers' compensation. We work hard to ensure the safety of our employees. It seems as though this bill may create incentive for an injured employee to NOT return to work, and to NOT request vocational rehabilitation, but to ENSURE lump-sum cash payment. This will not encourage

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Douglas County School District (cont)					workers to return to our workforce, either within the school district or within society, but rather encourage them to "drop" out. The affects of this bill cannot be determined, but may have fiscal impacts.
Elko County School District					This BDR could have a financial impact on the district, because of the language in Section 7, Paragraph 6. The stipulated criteria of \$4,000 for each 1 percent of impairment appears to be much higher than the district's experience in the past. The Elko County School District has experienced three vocational rehabilitation cases on behalf of employees in the past five years. The highest award paid to date has been \$10,000 in a case with a much higher than a 2.5 percent of impairment. The current process makes the buy-out optional, and gives the district the ability to negotiate a settlement agreeable by all parties.
Esmeralda County School District					It is impossible for Esmeralda County School District to put any kind of dollar expense to the proposed legislation.
Humboldt County School District					The provisions of this BDR likely would have a fiscal impact on HCSD, however we are unable to determine such costs. Should an employee meet these requirements for a lump sum payment, it would be coordinated through our insurance carrier. However, such a provision would likely increase the district's insurance premium, thus having a fiscal impact.

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Lincoln County School District					On a case-by-case basis, the proposed BDR might cost us more or less than the existing statute. There is impact but it could vary.
Nye County School District					The information provided in this bill draft is not specific enough to gauge if this will have an impact on a school district.
Pershing County School District					Has impact, but the district does not have sufficient information to give an accurate estimate as to what it would be. Our workers' comp insurance provider is POOL/PACT who should be able to provide you with figures for many school districts.
Washoe County School District					This bill would impact WCSD fiscally, because injured workers would be able reopen their claim solely for the purpose of getting vocational rehabilitation buyouts for which they are currently not eligible because they are retired. We are unable to determine the amount of impact at this time.
White Pine County School District					The impact for this BDR would have to be provided by the Nevada Public Agency Insurance Program. The District participates in the Public Agency Compensation Trust (PACT) that governs worker's compensation. The district simply pays a premium for covered services. The total premium for Worker's Compensation is approximately \$147,000 per year for all employees.

The following cities/counties/school districts did not provide a response: League of Cities, Elko County, Lincoln County, Lyon County, Mineral County, Nye County, Pershing County, Storey County, White Pine County, Churchill County School District, Eureka County School District, Lander County School District, Lyon County School District, Mineral County School District and Storey County School District.