Multiple Agency Fiscal Note Summary

Bill Number: 5741 SB	**Title:** Firefighters

Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	1,000,000	1,000,000	.0	1,200,000	1,200,000	.0	1,200,000	1,200,000
Department of Labor and Industries	.0	0	64,902,431	.0	0	21,533,886	.0	0	21,533,886
Total	0.0	$1,000,000	$65,902,431	0.0	$1,200,000	$22,733,886	0.0	$1,200,000	$22,733,886

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

Prepared by: Theo Yu, OFM	**Phone:** 360-902-0548	**Date Published:** Final 3/23/2007

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 17584

Individual State Agency Fiscal Note

Bill Number: 5741 SB	**Title:** Firefighters	**Agency:** 035-Office of State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
General Fund-State 001-1	400,000	600,000	1,000,000	1,200,000	1,200,000
Total $	400,000	600,000	1,000,000	1,200,000	1,200,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Kathy Buchli	Phone: (360) 786-7488	Date: 01/30/2007
Agency Preparation:	Darren Painter	Phone: 360-786-6155	Date: 03/23/2007
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 03/23/2007
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 03/23/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$0	$0	$0	$0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	REQUEST NO. BILL NUMBER:
Office of the State Actuary	035	3/22/07	SB 5741/HB 1833

INTENDED USE

This actuarial fiscal note was prepared by the Office of the State Actuary in accordance with RCW 44.44.040(4) and is intended to support the legislative process during the 2007 Legislative Session only.

Any third party recipient of this fiscal note is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. The options and analysis presented in this fiscal note should be read as a whole. Distributing or relying on only portions of this fiscal note could result in misuse and may be misleading to others.

SUMMARY OF BILL

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by amending the definition of occupational disease for fire fighters in RCW 51.32.185. This definition applies in determining eligibility for line-of-duty disability benefits and duty-related death benefits from LEOFF 2. The bill makes several changes that expand benefits:

1. The bill changes criteria for occupational diseases related to heart injuries to include fatal injuries to the heart. It is unclear from the bill draft whether such fatal injuries must be experienced within 72 hours of exposure to smoke, fumes, toxic substances, or strenuous physical exertion. In any event, the bill differs from the current standard in that the current standard refers to heart "problems" and not "injuries." Also, current law does not specify that the heart problem must be fatal - only that they are experienced within 72 hours of exposure to smoke, fumes or toxic substances. The bill adds a new class of occupational disease: "totally or partially disabling health conditions" experienced within 72 hours of exposure to specified conditions. The bill draft is unclear whether those conditions must be caused by injury to the heart. Finally, the bill adds "strenuous physical exertion" to the list of exposures within 72 hours that may trigger a benefit. Due to the uncertainty in the bill language, this fiscal note will price several scenarios ranging from a reading that is most favorable to members, to a reading that is most restrictive.

2. The bill expands the list of cancers considered occupational for fire fighters to include stomach cancer, intestinal cancer, multiple myeloma, testicular cancer, and prostate cancer.

3. The bill requires "clear, cogent, and convincing evidence" to rebut the presumption that the statutorily listed diseases are occupational diseases for purposes of determining benefits - a more stringent standard than currently in place. Presumably, this change would result in more benefits being awarded.

4. The bill also adds provisions related to cost recovery for disputed claims. The bill does not specify who would pay these costs. We assume this provision would have no impact on the pension system.

Effective Date: 90 days after session

CURRENT SITUATION

Survivors of LEOFF 2 members who die as a result of a duty-related illness or occupational disease receive a $150,000 lump-sum death benefit. Eligibility for the benefit is determined by the Department of Labor and Industries (L&I) according to Title 51 RCW. There are two primary criteria for an occupational disease - a general criteria that applies to all members, and a presumptive criteria that only applies to fire fighters.

To meet the general criteria for an occupational disease, the disease must be caused by distinctive conditions of the workplace, and that finding must be supported by medical documentation. Using this criteria, the burden of proof is on the member to show that the disease is work related.

To meet the presumptive criteria, the disease must be on the list of presumed occupational diseases for fire fighters found in RCW 51.32.185. The listed occupational diseases include respiratory disease, heart problems experienced within 72 hours of exposure to smoke, fumes, or toxic substance; primary brain cancer, malignant melanoma, leukemia, non-Hodgkin's lymphoma, bladder cancer, ureter cancer, kidney cancer, HIV/AIDS, hepatitis, meningococcal meningitis, and mycobacterium tuberculosis. Using this criteria, the burden of proof is on L&I to show that the disease is not work related.

Survivors of LEOFF 2 members who are "killed in the course of employment" as determined by L&I may receive a survivor pension that is not actuarially reduced. These survivors may also participate in healthcare insurance offered through the Public Employees' Benefits Board (PEBB) and receive reimbursement from the plan for premiums paid. According to L&I, a member who dies from a heart injury determined to be occupational would likely be considered "killed in the course of employment" for purposes of the unreduced survivor benefit and reimbursement of healthcare insurance premiums.

According to the Department of Retirement Systems, a LEOFF 2 member who is disabled due to an occupational disease as determined by L&I would qualify for a duty-disability retirement. A member disabled in the line of duty may choose between a non-taxable one-time lump-sum payment equal to 150 percent of the member's eligible retirement contributions, or an unreduced benefit subject to a minimum monthly benefit of at least 10 percent of the member's final average salary (FAS). A member disabled in the line of duty such that it prevents him or her from performing "substantial gainful employment" may receive a duty-disability benefit equal to 70 percent of the member's FAS. The benefit is subject to offsets by Social Security and Workers Compensation payments. The total benefits cannot exceed 100 percent of the member's FAS, but in no case can the offsets reduce the benefit below the member's accrued retirement benefit. A member disabled from other than duty causes may receive a service retirement allowance actuarially reduced from age 53 or a refund of up to 150 percent of the member's accumulated contributions.

The current presumption of occupational disease may be rebutted by a "preponderance of the evidence." Such evidence may include a workers' use of tobacco products, lifestyle, fitness, hereditary factors, exposure from activities unrelated to work, or personal choice in performing work.

Other State pension plans covering fire fighters in Washington State are not affected by the presumption of occupational disease due to differences in plan provisions and benefits administration.

SUMMARY OF MEMBERS IMPACTED

We estimate that all active, terminated vested, and retired fire fighters or their survivors could be impacted by this bill through improved benefits. The following table shows counts and percentages of fire fighters compared to the total system membership.

LEOFF 2 Membership as of 9/30/2005			
	Fire Fighters	Total Members	Percent Fire Fighters
Active	6,371	15,168	42%
Terminated Vested	172	570	30%
Retired	180	546	33%
Total	6,723	16,284	41%

We expect that approximately three additional $150,000 lump-sum benefits would be paid to survivors in the first year after the effective date of the bill due to the additional injuries and diseases that would be presumed duty related for fire fighters. We expect that of most of these additional duty-related deaths would be classified as in the course of employment for active members and the survivors would be eligible for the member's unreduced retirement annuity and the subsidized PEBB premiums. We expect approximately half of the additional duty-related deaths in the first year will be among active members.

We estimate that for a typical active member impacted by this bill, the increase in benefits would come from a duty-related disability caused by an injury or disease that was not previously recognized as duty related. The increase in benefits would be the difference between non-duty-related disability benefits and the duty-related disability benefits offered by LEOFF 2.

We estimate that for a typical survivor impacted by this bill, the increase in benefits would come from a duty-related death caused by an injury or disease that was not previously recognized as duty related. The increase in benefits would be the $150,000 lump-sum paid to a beneficiary and, in some cases, a survivor pension without any early retirement reduction applied and reimbursement for healthcare insurance premiums paid by the survivor.

Additionally, all 15,168 active Plan 2 members of this system would be affected by this bill through increased contribution rates.

METHODS

We modeled the expanded eligibility for receiving line-of-duty disability benefits by increasing the percentage of disabilities among active members that are considered duty related and recalculating the Present Value of Fully Projected Benefits (PVFB). Similarly, for the expanded duty-related death benefits, including the $150,000 lump-sum payment and the unreduced annuity benefits to survivors, we increased the percent of deaths among current active members that are considered duty related and determined the new PVFB.

The inactive liability attributable to the additional deaths being classified as duty related was determined using expected counts of future annuitants - both service and disability retirees - and the assumed percent of annuitants who will be eligible to receive the $150,000 death benefit under the provisions of this bill. We discounted those liabilities with interest to determine the present value of those benefits.

The final piece of active and inactive liability we had to determine was the cost of paying the medical insurance premiums for the survivors and their children. We calculated the increase in liability of the lump-sum death benefits under this bill as a percentage of the total death benefits. The increase in liability was about 67%. We applied that ratio to the liability calculated in the pricing of HB 2934 from the 2006 legislative session of approximately $8 million in PVFB. So the total liability attributable to the survivor medical portion of this bill is approximately $5.3 million, or $8 million x 0.67. This amount was increased with one-year of 8 percent interest to update the present value.

Otherwise, costs were developed using the same methods as those disclosed in the September 30, 2005 actuarial valuation report (AVR).

The methods chosen are reasonable for the purpose of the actuarial calculations presented in this fiscal note. Use of another set of methods may also be reasonable and might produce different results.

Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Rate increases calculated under the Aggregate actuarial cost method are used to determine the increase in funding expenditures for current plan members.

ASSUMPTIONS

We set our assumptions based on an interpretation of the bill language designed to maximize the benefits to the affected members. This bill specifies a 72-hour window during which a disability caused by exposure to fumes, strenuous activity, smoke and toxins will be considered duty related. We assume that every active fire fighter is exposed to fumes, smoke, toxins, or performs strenuous physical activity in any given 72-hour period. We assumed that any active fire fighter who becomes disabled would be classified as disabled in the line of duty under the provisions of this bill.

We assume that any deaths among fire fighters related to any heart problems, and the cancers listed in the bill, will be considered duty related. We assume that 25 percent of all deaths beyond those already considered duty related among active fire fighters will be duty related under the provisions of this bill. We assumed that 25 percent of disabled retiree deaths among fire fighters aged 20-49 would be considered duty related. We assumed that 45 percent of fire fighter deaths among service and disability retirees ages 50-69 would be considered duty related. We assumed that none of the deaths among annuitants over the age of 70 would be considered duty related.

We assumed that all the deaths of active fire fighters that would be classified as duty related, as a result of this bill, will also be classified as occurring in the course of employment. We assumed the liability increase for heathcare premiums paid for survivors of members killed in the course of employment would be proportional to the liability increase of the other duty-related death benefits.

Currently, 42 percent of active LEOFF 2 members are fire fighters. We assumed that future service and disability retirees would also consist of 42 percent fire fighters. Currently, 92 percent of active fire fighters are male. We assumed that the future active and retiree population would also be 92 percent male. We assumed that all future disability retirees would be classified as duty related. We did not attempt to separate current disability retirees by classification; either duty related, or non-duty related. We assumed that there would not be any current non-duty disability retirees who would be reclassified as duty disability retirees as a result of this bill.

Otherwise, costs were developed using the same assumptions as those disclosed in the AVR.

The assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this fiscal note. Use of another set of assumptions may also be reasonable and might produce different results.

DATA

We relied on data from the Washington State Department of Health for counts of deaths among fire fighters by cause and age range from 1950-1999 to develop our assumptions regarding additional duty-related deaths among active and retired fire fighters. We relied on L&I for an interpretation of the scope of the language of the bill regarding eligibility for duty-related disability classification. We also relied on L&I's interpretation of the provisions of the bill regarding heart-related injuries to calculate the liability associated with the increased number of deaths in the course of employment. This interpretation expanded the benefits for which survivors would be eligible to include the unreduced annuity and subsidized health insurance premiums.

Otherwise, costs were developed using the same data and assets as those disclosed in the AVR.

FISCAL IMPACT

Description

The increase in expected percent of disabilities and deaths that are considered duty related under this bill increases the liabilities of LEOFF 2. The increase in system liability is sufficient to increase contribution rates.

Actuarial Determinations

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and increasing the required actuarial contribution rate as shown below:

(Dollars in Millions)		Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	LEOFF 2	$5,462	$24	$5,486
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	LEOFF 2	NA	NA	NA
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	LEOFF 2	($397)	$20	($377)

Increase in Contribution Rates:
(Effective 09/01/2007 unless indicated otherwise)

	LEOFF 2
Current Members	
Employee	0.09%
Employer	0.05%
State	0.04%
New Entrants*	
Employee	0.04%
Employer	0.02%
State	0.02%

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	LEOFF 2
2007-2009	
General Fund	$1.0
Non-General Fund	0.0
Total State	1.0
Local Government	1.3
Total Employer	2.3
Total Employee	$2.3
2009-2011	
General Fund	$1.2
Non-General Fund	0.0
Total State	1.2
Local Government	1.4
Total Employer	2.6
Total Employee	$2.6
2007-2032	
General Fund	$20.0
Non-General Fund	0.0
Total State	20.0
Local Government	22.7
Total Employer	42.7
Total Employee	$42.7

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

Sensitivity Analysis

The costs of this bill are highly sensitive to the interpretation of the bill language. If the language is interpreted to include diseases resulting in 50 percent more deaths being categorized as duty related than those we considered above, then the increase in liability would be $38 million and the increase in contribution rates would be 0.14% for the member, 0.08% for the employer, and 0.06% for the State. If the language was interpreted to only cover fatal heart attacks for active members, and the specified cancers for active and inactive members, the increase in liability would be about $9 million and the increase in contribution rates would be 0.03% for the member, 0.02% for the employer, and 0.01% for the State.

As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Individual State Agency Fiscal Note

Bill Number: 5741 SB	Title: Firefighters	Agency: 235-Department of Labor and Industries

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
Accident Account-Non-Appropriated 608-6	24,007,614	5,377,240	29,384,854	10,754,480	10,754,480
Medical Aid Account-Non-Appropriated 609-6	30,127,874	5,389,703	35,517,577	10,779,406	10,779,406
Total $	54,135,488	10,766,943	64,902,431	21,533,886	21,533,886

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Kathy Buchli	Phone: (360) 786-7488	Date: 01/30/2007
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Agency Approval:	Chris P Freed	Phone: 360-902-6698	Date: 02/12/2007
OFM Review:	Deborah Feinstein	Phone: 360-902-0614	Date: 02/15/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	54.135.488	10,766,943	64,902,431	21,533,886	21,533,886
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$54,135,488	$10,766,943	$64,902,431	$21,533,886	$21,533,886

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

Part II: Explanation

This bill expands the list of conditions and cancers currently included under presumptive workers compensation coverage for fire fighters. Labor and Industries also becomes liable for legal costs when a worker prevails on the appeal of the presumptive allowance of a fire fighters claim.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 2 Sub 1b expands coverage to include injury to the heart causing death, or any health condition or impairment resulting in total or partial disability experienced within seventy-two hours of exposure to smoke, fumes, toxic substances, or strenuous physical exertion.

Section 2 Sub 1d increases the burden of proof for rebuttal of a claim allowed based on the presumptive coverage provisions. The prior burden of “a preponderance of evidence” is replaced by the need for “clear, cogent, and convincing evidence” (a higher standard).

Section 2 Sub 3 expands the cancers eligible for presumptive coverage to include stomach cancer, intestinal cancer, multiple myeloma, testicular cancer, and prostate cancer.

Section 2 Sub 6 expands the department’s liability for court costs. In any case where presumptive coverage is litigated, and the Board of Industrial Insurance Appeals or court decision is favorable to the worker, the department must pay all legal costs from the date of the employee's initial application for benefits.

II. B – Cash Receipt Impact

None.

II. C – Expenditures

The estimated financial impact of the bill is related to the presumption that any health condition (Section 2 Sub 1b) resulting in total or partial disability experienced within seventy two hours of exposure to smoke, fumes, toxic substances, or strenuous physical exertion is an allowable workers’ compensation claim. The fiscal impact assumes that all fire fighters are exposed to these substances, or engage in strenuous physical activity at least once in any 72-hour period. This means “any health condition” that is at least partially disabling will be covered for fire fighters. In addition, the higher burden of proof, “clear, cogent, and convincing evidence”, will make rebuttal of this presumption difficult.

As a result, the amendments in Section 2 (1)(b) will have a financial impact similar to a 24-hour, 7-day-per-week accident, health and disability coverage which would include a combination of non-work-related accident, health, and disability insurance in addition to the workers' compensation coverage for work-related occurrences.

The estimated costs are $5.4 million per year for the Accident Fund and $5.4 million for the Medical Aid Fund. These figures were developed as follows:

For the Accident Fund:

Accident Fund		
Item	Cost factor	Source
Firefighter Payroll FY05	$223,000,000	Data warehouse, Risk class 6904, FY05
Annual Wage Inflation Rate	2.5%	actuarial assumption
Wage inflation factor to FY08	1.077	(1+wage inflation) cubed
FY05 Firefighter Payroll FY08 @2005 FTEs	$240,146,609	factor X FY05 wage
Annual exposure growth	2.00%	actuarial assumption
Exposure factor to FY08	1.061	(1 + exposure factor) cubed
Firefighter Payroll FY08	$254,845,503	
Disability Insurance Rate	2.11%	L&I employee rate for DI with 30 day wait
FY08 Cost increase	**$5,377,240**	Rate X Payroll
Wage & Exposure factor to FY09	1.000	
FY09 Cost increase	**$5,377,240**	

For the Medical Aid Fund:

Medical Accident Fund		
Item	Cost factor	Source
Monthly Cost per FTE FY07	$101	Mid-price employee share of state employee health insurance
Annual Cost per FTE	$1,212	Monthly cost X 12
Annual Medical Inflation	5.50%	actuarial assumption
Med inflation factor to FY08	1.055	(1+medical inflation)
Annual Cost per FTE FY08	$1,279	factor X FY05 annual cost per FTE
FY05 FTEs Firefighters	3,972	Actuarial records
Annual exposure growth	2.00%	actuarial assumption
Exposure factor to FY08	1.061	(1 + exposure factor) cubed
FY08 FTEs Firefighters	4,215	factor X FY05 exposure (FTEs)
FY08 Cost increase	**$5,389,703**	FY08 FTEs X FY08 rate per FTE
Med inflation & Exposure 1 year	1.000	5.5% x 2.0%
FY09 Cost increase	**$5,389,703**	

The additional cancers included in the bill are occupational diseases which develop over time. Claims for these diseases are typically filed some time after the disease first required medical treatment or became partially or totally disabling. This means the date used to determine entitlement to benefits is retroactive, resulting in a one-time cost to the Medical Aid and Accident Fund reserves to cover the costs of those claims covered by the provisions of the bill which have not yet been filed. These one-time costs are estimated at $24,738,171 for the Medical Aid Fund and $18,630,374 for the Accident Fund reserves.

Accident Fund	Medical Aid Fund	Total
$18,630,374	$24,738,171	$43,368,544

These costs were estimated as follows:

Reserve (Benefit Liability) Increases			
Item	Accident Fund	Medical Aid	Source
Fund Premiums FY05	$806,818,000	$603,997,000	Premium worksheets @ 12/31/06
FIREFIGHTER premiums FY05	$3,462,004	$2,106,589	Data Warehouse, Risk class 6904
FIREFIGHTER proportion of Total	0.00429	0.00349	FIREFIGHTER premiums / Fund Premiums
Fund Premiums FY07	$927,284,000	$586,935,000	Actuarial projection
FIREFIGHTER premiums FY07	$3,978,916	$2,047,081	Fund Premiums 07 x proportion
Benefit Reserves at 6/30/06	3,212,735,000	2,693,970,000	Annual Statement
Prorata FIREFIGHTER Benefit Reserves FY06	13,785,639	9,395,887	FIREFIGHTER proportion X Total reserves
FY 08 increase Cost	$5,377,240	$5,389,703	from cost analysis above
Increased Cost to FY07 Premium	135.1%	263.3%	Estimated increase to premium
Increased Reserve	**18,630,374**	**24,738,171**	Assumes reserve increase proportional to premium increase

Legal Costs – Indeterminate

The presumption that a claim is work-related may only be rebutted by “clear, cogent, and convincing evidence”, under the proposed bill. It is assumed there will be fewer appeals of presumptive coverage as a result. The bill includes a provision to award the worker their legal costs from the date of initial application when presumptive coverage is challenged, and the worker prevails in litigation. These costs must be paid by the department, even if the appealing party was the State Fund employer or self-insurer.

Because the bill contains various provisions that may affect these potential legal costs (expanded presumptive coverage, coverage for any totally or partially disabling health condition within 72 hours of exposure or exertion, and a higher standard of evidence for rebuttal), we cannot determine the number of times the department may be required to pay the worker’s legal costs. For each case, we expect the costs to be approximately twice as much as the average Superior Court fees and costs because these cases may often require expert medical testimony. This average cost is $7,354; doubling it equals $14,708 per case.

Reoccurring Costs

Fund #	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
608-6	5,377,240	5,377,240	5,377,240	5,377,240	5,377,240	5,377,240
609-6	5,389,703	5,389,703	5,389,703	5,389,703	5,389,703	5,389,703
Total	10,766,943	10,766,943	10,766,943	10,766,943	10,766,943	10,766,943

Accrued Liability

Fund #	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
608-6	18,630,374	0	0	0	0	0
609-6	24,738,171	0	0	0	0	0
Total	43,368,545	0	0	0	0	0

Total All Funds

Fund #	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
608-6	24,007,614	5,377,240	5,377,240	5,377,240	5,377,240	5,377,240
609-6	30,127,874	5,389,703	5,389,703	5,389,703	5,389,703	5,389,703
Total	54,135,488	10,766,943	10,766,943	10,766,943	10,766,943	10,766,943

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.