



UNINSURED EMPLOYERS' FUND

BUSINESS, ECONOMIC DEVELOPMENT & LABOR APPROPRIATIONS SUBCOMMITTEE
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BUDGET BRIEF

SUMMARY

The Uninsured Employers Fund (UEF) is a private purpose trust fund administered by the Labor Commission, working closely with the Workers' Compensation Advisory Council. The UEF was established in 1994 to provide benefits to injured workers whose employers (1) did not maintain the statutorily required workers compensation insurance and (2) otherwise cannot pay because of insolvency.

A unique characteristic of this fund is the uncertainty of its future liabilities. The Labor Commission engages an actuary in projecting future financial results for the fund. In addition to collecting monthly revenues, the UEF accrues future liabilities as claims from injured workers are adjudicated to be the responsibility of the UEF. In this way, the UEF functions similar to an internal service fund or an enterprise fund, revenues to and expenditures from the fund will not necessarily balance at fiscal year-end.

Fund revenues are derived from (1) a surcharge on workers compensation insurance premiums in Utah (2) an assessment to employers that are self-insured for workers compensation (3) penalties imposed against employers who fail to maintain workers compensation insurance (4) penalty assessments related to the non-filing of injury reports (5) reimbursements from uninsured employers, and (6) interest earned on investment of previously listed collections.

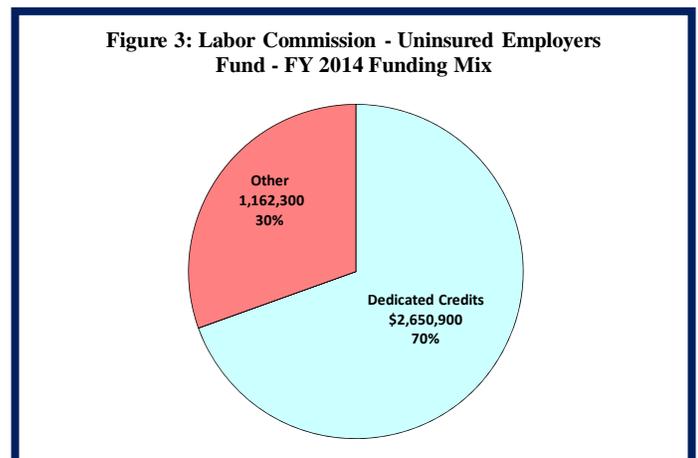
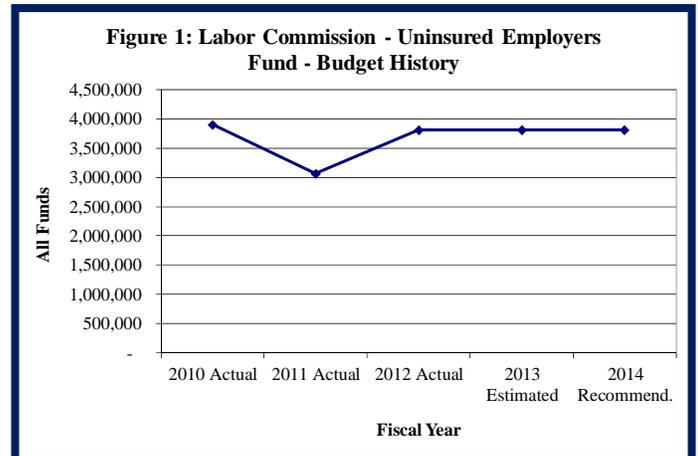
ISSUES AND RECOMMENDATIONS

Reflection of UEF in the State Budget

Up through the 2012 General Session, the UEF has been reflected in the state's budget as part of the Labor Commission's operational budget. Previously, all revenue activities have been rolled up into the dedicated credits line and have acted as a placeholder to balance with actual expenditures. Henceforth, revenues will be broken down into their individual activities in the "Sources of Finance" section of the budget table to more accurately reflect all fund activities. Some of these include premium tax collections, actuarial adjustments impacting fund balances (accrual or release of claim liabilities), and interest earned from investment activities.

Moving forward, it has been decided to reflect the UEF budget similar to that of an internal service fund; actual revenues and expenditures will be reflected in the state budget, actuarial adjustments are also included in revenues and expenditures for their respective category.

In addition to the changes above, the beginning fund balance and the ending fund balance will be included on the revenue side of the ledger. These entries show the



outstanding liability of the UEF at the beginning and end of the fiscal year. The difference between the beginning and ending fund balances equals the change in fund balances.

Where a private purpose trust fund does not require legislative action to expend funds, it is not incumbent upon the Legislature to appropriate funds to or from the UEF. The UEF is included in the appropriations act for informational purposes and to exhibit the state’s role, through the administration of the Labor Commission, as a special trust fund administrator. Additionally, the chance exists that if the UEF becomes insolvent, the state could potentially be accountable to fund its liabilities.

BUDGET DETAIL

In FY 2012 the UEF received approximately \$2.6 million in net revenues; expenditures and accrued liabilities amounted to approximately \$5 million. These activities reduced the total fund balance in the UEF by about \$2.4 million to approximately \$ 6.6 million. Total assets in the fund are about \$24.9 million. Total liabilities in the fund are about \$18.3 million.

BUDGET DETAIL TABLE

Labor Commission - Uninsured Employers Fund						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
Dedicated Credits Revenue	2,310,700	3,083,500	(782,600)	2,300,900	0	2,300,900
Interest Income	139,500	0	140,000	140,000	0	140,000
Dedicated Credits - Investments	(11,200)	0	0	0	0	0
Premium Tax Collections	209,900	0	210,000	210,000	0	210,000
Premium Tax Payments	(6,000)	0	0	0	0	0
Change in Claim Reserves	(1,221,400)	0	(1,221,400)	(1,221,400)	0	(1,221,400)
Beginning Fund Balance	8,980,400	0	6,589,400	6,589,400	(2,383,700)	4,205,700
Ending Fund Balance	(6,589,400)	0	(4,205,700)	(4,205,700)	2,383,700	(1,822,000)
Total	\$3,812,500	\$3,083,500	\$729,700	\$3,813,200	\$0	\$3,813,200
Programs						
Uninsured Employers Fund	3,812,500	3,083,500	729,700	3,813,200	0	3,813,200
Total	\$3,812,500	\$3,083,500	\$729,700	\$3,813,200	\$0	\$3,813,200
Categories of Expenditure						
In-state Travel	300	0	0	0	0	0
Current Expense	431,000	0	432,900	432,900	0	432,900
DP Current Expense	3,100	0	4,000	4,000	0	4,000
Other Charges/Pass Thru	3,378,100	3,083,500	292,800	3,376,300	0	3,376,300
Total	\$3,812,500	\$3,083,500	\$729,700	\$3,813,200	\$0	\$3,813,200
Other Data						
Change in Fund Balance	2,392,000	0	2,383,700	2,383,700	(4,767,400)	(2,383,700)

*Does not include amounts in excess of subcommittee’s state fund allocation that may be recommended by the Fiscal Analyst.