

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Internal Service Funds – Risk Management

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

1.0 Summary: Division of Risk Management

The Division of Risk Management was organized in 1980 to implement a self-insurance program for the State. The Division provides liability, property and auto coverage to all state agencies, forty school districts, all state-owned colleges and universities and to eight city/county health departments. The liability insurance program is entirely self funded, while the property insurance program is self-funded up to a \$2.5 million deductible with a private carrier. The Division has four internal sections: claims, loss control, ADA/Workers Compensation, and support staff.

- The Claims section processes losses by state agencies and handles claims against state agencies.
- The Loss Control group provides valuable service to the insured by presenting training throughout the state and making annual inspections. Loss control provides corrective action suggestions, assists with all types of safety problems, monitors the disposal of hazardous materials, and examines blueprints for building construction and fire code applications. The objective of this section is to design and manage programs in a way that reduces the state’s risk exposure.
- The ADA/Workers Compensation section provides training and assistance for issues relating to worker’s compensation and the Americans With Disabilities Act. Services include claims review, case management, loss prevention programs, return to work programs and assistance in processing Workers Compensation claims.
- The Support Staff provides all of the necessary services to sustain division operations. Services include management of financial, administrative, and data processing systems. They also provide management of valuation of property and premium computation.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
Premiums	\$18,304,800	\$2,851,600	\$21,156,400
Interest Income	\$2,850,000	(\$350,000)	\$2,500,000
Restricted Revenue	\$6,704,600	(\$253,000)	\$6,451,600
Total	<u>\$27,859,400</u>	<u>\$2,248,600</u>	<u>\$30,108,000</u>
Programs			
ISF - Risk Management Admin.	\$20,355,600	\$1,526,700	\$21,882,300
ISF - Workers' Compensation	\$6,359,400	(\$834,600)	\$5,524,800
Total	<u>\$26,715,000</u>	<u>\$692,100</u>	<u>\$27,407,100</u>
FTE	24.5		24.5
Authorized Capital Outlay	\$0	\$0	\$50,000
Retained Earnings	\$6,420,500	\$1,556,500	\$7,977,000

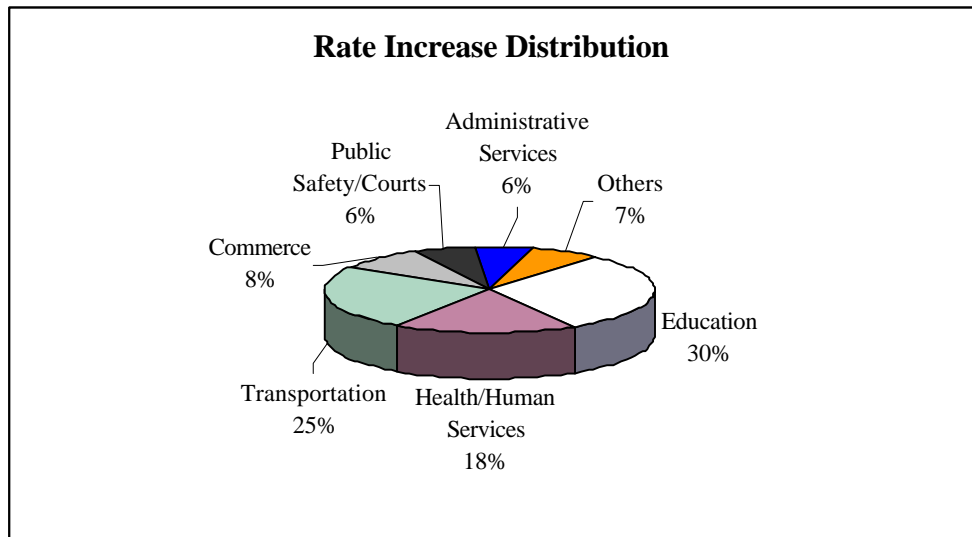
2.0 Issues: Division of Risk Management

2.1 State agency liability premium increases

The analyst is recommending full funding of rate increases totaling \$743,000 for all state agencies. The Department of Natural Resources and the Department of Corrections will receive a rate reduction in FY 2001.

<i>Rate Impacts by Agency</i>			
Administrative Services	\$46,517	Higher Ed.	\$216,816
Commerce & Revenue	\$68,452	Human Services	\$123,672
Corrections	(\$64,967)	Legislature	\$5,345
Courts	\$26,109	National Guard	\$8,293
DCED-HR	\$19,453	Natural Resources	(\$11,399)
DEQ	\$18,126	Public Ed	\$31,199
Elected Officials	\$5,076	Public Safety	\$23,464
Health	\$23,881	Transportation	\$203,167

The Department of Transportation must fund the biggest single impact for insurance. Higher and Public Education’s share of the impact is driven by rate increases at the University of Utah that amount to 72 percent of the total increase.



2.1 Retained Earnings Rebates

Risk Management estimates a retained earnings position of approximately \$4.5 million at the end of FY 2000. If the estimate proves correct, the Division will rebate funds to school districts and the Department of Transportation. Funds rebated to UDOT will be deposited in the Centennial Highway Fund.

3.0 Programs: Internal Service Funds – Risk Management

3.1 Programs: Risk Management - Insurance Coverage

Recommendation

The Analyst is recommending the agency request, with the understanding that actual retained earnings will be reduced following a year end actuarial assessment.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Premiums	\$15,362,200	\$20,952,800	\$21,156,400	\$203,600
Interest Income	2,502,900	2,500,000	2,500,000	
Total	\$17,865,100	\$23,452,800	\$23,656,400	\$203,600
Expenditures				
Personal Services	\$1,467,500	\$1,478,600	\$1,474,100	(\$4,500)
In-State Travel	16,800	16,800	16,800	
Out of State Travel	13,200	19,600	20,900	1,300
Current Expenses	16,847,800	19,513,400	19,754,700	241,300
DP Current Expenses	86,500	86,500	86,500	
DP Capital Outlay	133,500	585,200	495,800	(89,400)
Depreciation	47,400	38,400	33,500	(4,900)
Total	\$18,612,700	\$21,738,500	\$21,882,300	\$143,800
Net Operating Income	(\$747,600)	\$1,714,300	\$1,774,100	\$59,800
FTE	21.5	22.5	22.5	
Authorized Capital Outlay	\$39,000		\$50,000	\$50,000
Retained Earnings	\$1,100,200	\$2,814,500	\$5,401,900	\$2,587,400

Purpose

The State Risk Manager administers the State's property and liability insurance program. The property insurance program deductible is self-funded to \$2.5 million. A private provider covers any claims beyond that. Liability insurance is entirely self-funded.

The Risk Management Fund handles claims against the state. Although coverage through the Fund may be in formats similar to insurance policies, the relationship between the Fund and entities covered by it is not that of insurer and insured. In managing and defending claims against covered entities, the Risk Management Fund will consider the covered entities' interests, but the final determination as to claim management, defense and settlement is based on the overall impact to the Risk Management Fund.

3.2 Programs: Risk Management - Workers Compensation

Recommendation The Analyst is recommending the agency request.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Interest Income	\$83,700	\$96,000		(\$96,000)
Restricted Revenue	5,878,100	6,107,300	6,451,600	344,300
Total	\$5,961,800	\$6,203,300	\$6,451,600	\$248,300
Expenditures				
Personal Services	\$140,300	\$144,700	\$143,700	(\$1,000)
In-State Travel	2,800	2,800	2,800	
Out of State Travel	800	2,600	3,300	700
Current Expenses	4,613,300	5,174,900	5,370,800	195,900
DP Current Expenses			900	900
Total	\$4,760,500	\$5,328,300	\$5,524,800	\$196,500
Net Operating Income	\$1,201,300	\$875,000	\$926,800	\$51,800
FTE	2.0	2.0	2.0	
Retained Earnings	\$1,269,100	\$1,471,600	\$2,575,100	\$1,103,500
			\$0	\$0

Purpose The State Risk Manager administers programs to keep workers compensation claims to a minimum. As a result, rates charged by the Workers Compensation Fund remain low. Premiums are collected as a percentage of state payroll.

4.0 Tables: Division of Risk Management

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Actual	Actual	Actual	Estimated	Analyst
Financing					
Dedicated Credits					
Premiums	8,894,600	11,645,900	15,362,200	20,952,800	21,156,400
Interest Income	2,640,200	2,747,900	2,586,600	2,596,000	2,500,000
Total	\$16,602,100	\$20,142,100	\$23,826,900	\$29,656,100	\$30,108,000
% Change		21.3%	18.3%	24.5%	1.5%
Programs					
ISF - Risk Management Admin.	\$11,624,500	\$14,316,100	\$18,612,700	\$21,738,500	\$21,882,300
ISF - Workers' Compensation	4,948,600	4,922,200	4,760,500	5,328,300	5,524,800
Total	\$16,573,100	\$19,238,300	\$23,373,200	\$27,066,800	\$27,407,100
Expenditures					
Personal Services	\$1,347,800	\$1,463,700	\$1,607,800	\$1,623,300	\$1,617,800
In-State Travel	18,200	21,100	19,600	19,600	19,600
Out of State Travel	16,300	17,600	14,000	22,200	24,200
Current Expenses	15,014,200	17,397,700	21,461,100	24,688,300	25,125,500
DP Current Expenses	131,400	149,200	86,500	86,500	87,400
DP Capital Outlay	32,100	37,000	136,800	588,500	495,800
Other Charges/Pass Thru					3,300
Depreciation	13,100	152,000	47,400	38,400	33,500
Total	\$16,573,100	\$19,238,300	\$23,373,200	\$27,066,800	\$27,407,100
Net Operating Income	\$29,000	\$903,800	\$453,700	\$2,589,300	\$2,700,900
FTE	22.5	22.5	23.5	24.5	24.5
Authorized Capital Outlay	\$9,900	\$39,400	\$39,000		\$50,000
Retained Earnings	\$2,169,800	\$2,891,700	\$2,369,300	\$4,286,100	\$7,977,000