

**Department 485 - Workforce Safety and Insurance
Senate Bill No. 2021**

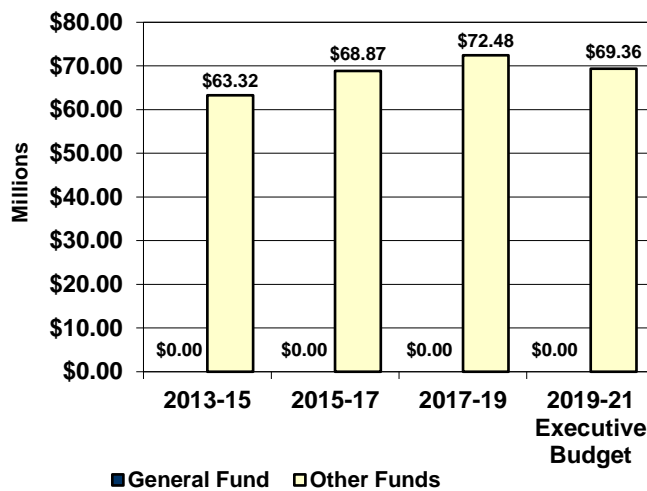
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	248.14	\$0	\$69,357,551	\$69,357,551
2017-19 Legislative Appropriations	260.14	0	72,481,659	72,481,659
Increase (Decrease)	(12.00)	\$0	(\$3,124,108)	(\$3,124,108)

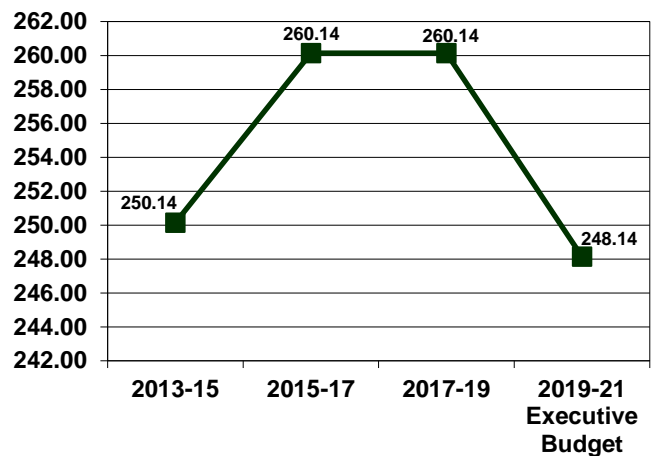
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$61,497,551	\$7,860,000	\$69,357,551
2017-19 Legislative Appropriations	63,473,062	9,008,597	72,481,659
Increase (Decrease)	(\$1,975,511)	(\$1,148,597)	(\$3,124,108)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$69,357,551	\$69,357,551
2019-21 Base Level	0	63,473,062	63,473,062
Increase (Decrease)	\$0	\$5,884,489	\$5,884,489

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$1,831,146 is for salary increases, \$912,491 is for health insurance increases, and \$239,412 is for retirement contribution increases	\$0	\$2,983,049	\$2,983,049
2. Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative	\$0	(\$2,532,319)	(\$2,532,319)
3. Transfers 1 temporary position to the Information Technology Department for the information technology unification initiative	\$0	(\$99,840)	(\$99,840)
4. Adds funding for information technology operating expenses related to the unification initiative	\$0	\$2,824,915	\$2,824,915
5. Underfunds 6 FTE positions	\$0	(\$1,012,252)	(\$1,012,252)
6. Reduces funding for operating expenses, primarily related to professional service fees	\$0	(\$2,332,176)	(\$2,332,176)
7. Adds funding for Microsoft Office 365 licensing expenses	\$0	\$14,988	\$14,988

8. Adds one-time funding for the claims and policy system replacement project for releases 7 through 10 of the 20 release project. The total project is estimated to cost \$29.5 million and has an estimated completion date of June 2026.	\$0	\$7,010,000	\$7,010,000
9. Adds one-time funding for the MyWSI enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.	\$0	\$850,000	\$850,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Other funds appropriation - Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance (WSI) in excess of those funds appropriated in Section 1 for the 2019-21 biennium.

Continuing Appropriations

Building maintenance account - North Dakota Century Code Section 65-02-05.1 - Money in the WSI building maintenance account is appropriated on a continuing basis for bond principal and interest payments, operating, maintenance, repair, and payment in lieu of taxes expenses of the buildings and grounds.

Reinsurance and other states' coverage - Section 65-02-13.1 - Money in the WSI fund is appropriated on a continuing basis to allow the agency to establish a program of reinsurance and a program of extraterritorial coverage and other states' insurance.

Allocated loss adjustment expenses - Section 65-02-06.1 - Money in the WSI fund is appropriated on a continuing basis for the payment of all allocated loss adjustment expenses experienced by the agency.

Preferred worker program - Section 65-05-36 - Money in the WSI fund is appropriated on a continuing basis for the payment of the expense of conducting a biennial independent performance evaluation.

Insurance fraud unit - Section 65-02-23 - Money in the WSI fund is appropriated on a continuing basis for the payment of costs associated with identifying, preventing, and investigating employer or provider fraud.

Information fund - Section 65-01-13 - Money in the WSI information fund is appropriated on a continuing basis for the payment of publication and statistical processing expenses incurred by the agency.

Safety programs - Section 65-03-04 - Money in the WSI fund is appropriated on a continuing basis for the purpose of funding work safety and loss prevention programs.

Educational revolving loan fund - Section 65-05.1-08 - Money in the WSI educational revolving loan fund is appropriated on a continuing basis to maintain the fund and provide loans to individuals wanting to pursue a postsecondary education.

Litigation expense - Section 65-02-06.2 - Money in the WSI fund is appropriated for expenses associated with litigating employer-related issues and for payment of organization expenses associated with litigating medical provider-related issues.

Collection agency fees - Section 54-06-29 - Payment of fees to The Affiliated Group to assist in collection past-due accounts.

Independent performance evaluation - Section 65-02-30 - Requires that once every 4 years, the WSI Director shall request the State Auditor's office to select a firm with extensive expertise in workers' compensation practices and standards to complete a performance evaluation of the functions and operations of the organization.

Significant Audit Findings

The financial statement audit for WSI conducted by Eide Bailly LLP, for the period ending June 30, 2018, identified no significant audit findings.

The performance evaluation for WSI conducted by Sedgwick Claims Management Service, Inc., for the period ending December 31, 2017, identified 14 recommendations related to operational efficiencies, tracking certain injured worker statistics, addressing legislation related to opioids and morphine, encouraging policyholder use of the learning management system, compiling certain reports for policyholders, continuing to promote safety incentive programs to nonparticipants, and training staff in fraud detection.

Major Related Legislation

House Bill No. 1064 - Adds WSI to the list of agencies exempt from administrative proceedings conducted by the Office of Administrative Hearings.

House Bill No. 1072 - Allows WSI to charge a penalty of up to \$5,000 to employers who deduct any portion of premiums from the wages or salary of an employee eligible for benefits. The bill also allows WSI to charge a fee of \$250 plus additional penalties when an employer defaults in the payment of a premium, an installment of the premium, penalty or interest, or the filing of bonds. If a general contractor or a subcontractor willfully uses the services of a subcontractor preclude from operating under a cease and desist order, WSI may charge a penalty of \$5,000 and \$100 per day for each day the violation occurs.

House Bill No. 1073 - Allows WSI to establish pilot programs to assess alternative forms of dispute resolution to resolve disputes with injured employees. Funding available in the WSI fund is appropriated to WSI on a continuing basis for payment of organization expenses associated with the pilot program.

Workforce Safety and Insurance - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062
2019-21 Ongoing Funding Changes				
Base payroll changes			(\$1,821,876)	(\$1,821,876)
Salary increase			1,831,146	1,831,146
Health insurance increase			912,491	912,491
Retirement contribution increase			239,412	239,412
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)
Underfund 6 FTE positions			(1,012,252)	(1,012,252)
Add funding for IT operating expenses			2,824,915	2,824,915
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)
One-time funding items				
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000
Add funding for the MyWSI enhancement project			850,000	850,000
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551

Other Sections for Workforce Safety and Insurance - Budget No. 485

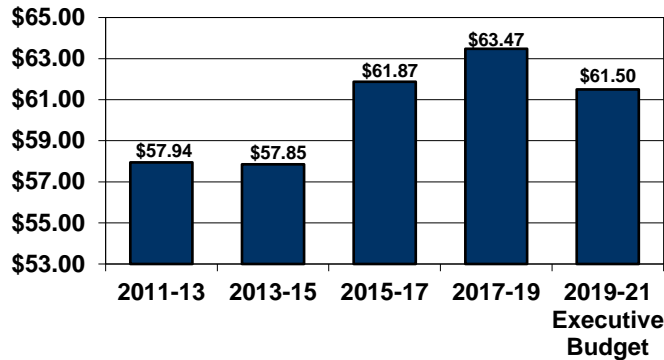
	Executive Budget Recommendation			
Other funds appropriation			Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.	

Department 485 - Workforce Safety and Insurance

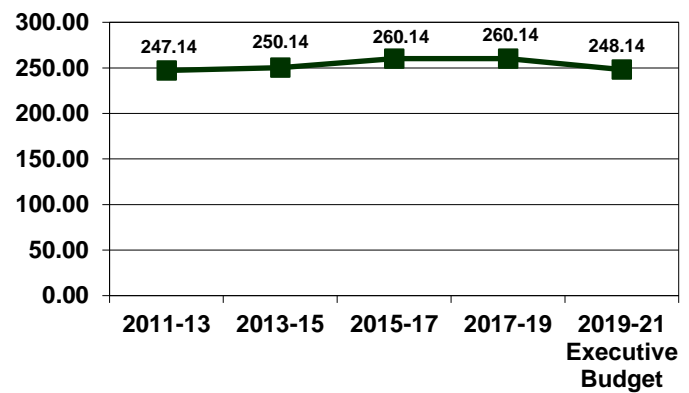
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$57,940,475	\$57,847,422	\$61,865,170	\$63,473,062	\$61,497,551
Increase (decrease) from previous biennium	N/A	(\$93,053)	\$4,017,748	\$1,607,892	(\$1,975,511)
Percentage increase (decrease) from previous biennium	N/A	(0.2%)	6.9%	2.6%	(3.1%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	(0.2%)	6.8%	9.5%	6.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added 7 FTE positions, including 1 FTE claims adjuster II position, 1 FTE claims supervisor position, 1 FTE vocational rehabilitation supervisor position, 1 FTE medical case manager supervisor position, 1 FTE underwriter position, 1 FTE compliance officer position, and 1 FTE loss control specialist position. This includes related operating expenses of \$96,060. \$1,303,717
- Transferred 4 FTE positions to the Information Technology Department (\$753,274)
- Adjusted funding for operating expenses to reflect inflationary adjustments and other budget changes (\$4,779,795)

2015-17 Biennium

- Added 6 FTE positions, including 1 FTE underwriter position, 2 FTE vocational rehabilitation case manager positions, 2 FTE nurse case manager positions, and 1 FTE physical therapist position \$878,474
- Converted temporary positions to FTE positions, including 3 FTE claim adjuster positions and 1 FTE collections specialist position \$499,217
- Reduced operating expenses primarily relating to a reduction in information technology software of \$1.5 million (\$1,999,857)

2017-19 Biennium

- Reduced funding for temporary salaries (\$357,942)
- Increased funding for operating expenses, including increases in professional service fees and information technology data processing \$1,199,920
- Removed funding for credit card fees (\$1,200,000)

2019-21 Biennium (Executive Budget Recommendation)

- Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative (\$2,532,319)
- Adds funding for information technology operating expenses related to the unification initiative \$2,824,915

- | | |
|---|---------------|
| 3. Underfunds 6 FTE positions | (\$1,012,252) |
| 4. Reduces funding for operating expenses, primarily related to professional service fees | (\$2,332,176) |

**GOVERNOR'S RECOMMENDATION FOR THE
WORKFORCE SAFETY AND INSURANCE AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the workforce safety and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	<u>\$63,473,062</u>	<u>\$5,884,489</u>	<u>\$69,357,551</u>
Total special funds	\$63,473,062	\$5,884,489	\$69,357,551
Full-time equivalent positions	260.14	(12.00)	248.14

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
CAPS software replacement project	\$8,120,097	\$7,010,000
Extranet computer project	538,500	850,000
Internal reporting system updates	<u>275,000</u>	<u>0</u>
Total other fund	<u>\$8,933,597</u>	<u>\$7,860,000</u>

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The workforce safety and insurance agency shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. APPROPRIATION - In addition to the amounts appropriated to workforce safety and insurance in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to workforce safety and insurance for the biennium beginning July 1, 2019, and ending June 30, 2021.