

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2002 /

2007 SENATE APPROPRIATIONS

SB 2021

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

Senate Appropriations

Check here for Conference Committee

Hearing Date: 01/12/07

Recorder Job Number

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2021 announcing the subcommittee consists of Senators Krebsbach, Wardner, and Tallackson.

Bob Invig, Chairman, WSI's Board of Directors, testified in support of the SB 2021 budget and indicated he looks forward to working the Appropriations Committee to make sure everything is in line for the upcoming biennium.

Sandy Blunt, Executive Director and CEO, Workforce Safety & Insurance (WSI), presented written testimony (1) in support of SB 2021. He provided information about the agency, the legislative and operational reforms and requested the budget be increased to the originally approved appropriation request. He also discussed the proposed amendment to SB 2015 which will exempt the agency from state employee general compensation increases. Several questions were raised; if the request for exemption was honored, would there be sufficient dollars to meet the 4/4 increase, what will the shortfall be in terms of dollars, clarification about the original request of 3.5/3.5 increase, question on the scheduled investigations, if additional information could be provided on the contracted employees, why the contracts are listed by biennium and are the investigations for providers or employees,

what the interest in the building is and how it is financed, what percentage of the building is leased and on the claims and hearing processes.

Allen Knudsen was asked to clarify the salary increases for WSI.

Chairman Holmberg asked if Mr. Blunt would be present at Mondays hearing on the pay portion and asked what the reason was to be exempt, was it because of the 4/4 or because it is relating to the pay per performance. He also indicated that last interm there was confusion about whether the 4/4 applied to WSI, did they get more of an increase then other agencies.

Chairman Holmberg closed the hearing on SB 2021.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01-17-07

Recorder Job Number: 1307

Committee Clerk Signature

Alice Ruber

Minutes:

Senator Krebsbach, Chair for the Subcommittee on SB 2021 opened the hearing on 01-17-07 on SB 2021 relating to Workforce Safety and Insurance (WSI). Senators Wardner and Tallackson were present and are members of the Subcommittee on SB 2021. Senator Krebsbach did request from the Bureau their information on their performance appraisal stating she has received that document. The other members of the subcommittee are welcome to it and she will try to analyze what she can from it for the Senator's benefit. The purpose of this Subcommittee is to look at the original request and what was presented in the Governor's budget. She also stated there may be an executive summary that will give her a lot of information.

Written Testimony (1) was presented by WSI which is a 2007-2009 Biennium Budget Proposal.

Jim Lang, CHR stated that what she has in that document is the explanation of the HAY group, the performance system, our policies, some of the forms we use depending on our director level, self appraisals, but if the Subcommittee is looking for something specific Mr. Lang will assist the Senators in locating that item.

Written testimony (1) – 2007-2009 Biennium Budget Proposal was presented. He also shared concerns concerning FTE's. There is a need for 5 Claims Adjusters. Their office is short 9.2

Adjusters. He presented Written Testimony (2) Claims Load and stated their office did not have enough Adjusters to manage the amount of claims coming in.

Written Testimony (3) Claims' Adjuster Payback Based upon Ability to Adjudicate 90% of Claims Within 14 Days compared with FY06 Adjudication Levels (Annual Impact) was explained to the subcommittee. The question was raised why their office only asked for 5 FTE's when they really need 9.2. He explained that with the addition of nine new people their office might not be able to fully train them and because of their proactive safety issues we anticipate our claims will go down. In regards to our Safety personnel we are asking for 4 additional Loss Prevention FTE's to proactively help prevent injuries. Written testimony (4) Safety FTE Return on Investment (ROI) which reflects the investment for the safety people.

He explained the average cost of time loss claim. You don't want anyone to get hurt, so if you can prevent injuries, you should. We have a Safety Outreach Program, written testimony (5) – Impact of Proactive Safety Programs chart which shows reduction of injuries of those enrolled in the program. The people in the Safety Outreach Program focus on employers.

There is also a need for an IT FTE because of the new software platform.

At this time Senator Krebsbach asked the members of the committee to introduce themselves and they are as follows: Sandy Paulson, OMB, a Budget Analyst; Jim Long, Chief of Support Systems for WSI; Cindy Ternes, Director of Finances of WSI; Brandi Fagerland, IQ Manager of WSI; Mark Armstrong, WSI Communications Executive; Sheila Peterson, OMB.

Senator Wardner asked when claims come in is the expense greater to the Bureau the longer it takes to get resolved.

Jim Long When people are hurt they may submit a claim but keep on working anyway. As he/she continues to work because he has not heard back from the bureau regarding his injuries the situation could get worse over time and it probably could have been fixed with

simple bed rest or similar minor treatment if treated immediately. The injured party also may have concerns about lost wages. This office would prefer that the injured party would have his injuries checked out as soon as possible.

Mark Armstrong stated that an injury report should be filed as quickly as possible to get the medical plan and medicine required as soon as possible so we can get them into the system quickly as that will offer some peace of mind to the injured party. It's a dollar and cents thing but it is also compassion so that they don't just languish out there and keep wondering what is going to happen to me, are they going to pay my claim, is it accepted. We get the best medicine and the best experts particularly on the more serious claims on as quickly as possible so that they have some peace of mind as well.

Senator Tallackson The average person would think your policy would have an awful lot to do with the settlement of claims. If you are tough on the claims this would drag out, you'd have hearings and rehearings so it seems to me the policy you establish with your board would have a lot to do with it.

Jim Long stated they want people back to work as soon as possible.

Senator Krebsbach commented that Sandy Blunt, CEO of WSI is out of town today but will be back next time we meet and will attend our meeting. She also asked how many new FTE's the Bureau is requesting.

Jim Long gave this information: 15 new FTE's; 5 Claims Adjusters, 2 Loss Control; 4 Loss Prevention; 1 IT; 1 Underwriter (Policy Holder Supervisor); 1 Return to Work Specialist, and 1 Facilities Maintenance transferring from temporary to FTE position.

Senator Krebsbach asked if there was any area of compromise on any of these positions. She also requested information regarding FTE count over past 5 years, Income, and Claims Payments in the last 5 years. Also would like the break structure from their Bureau for the

employer community for the past 5 years. She asked if both of the other Senators were ok with this request or wanted any other information from this Bureau.

Senator Wardner asked for an explanation of the HAY group market adjustments.

Senator Tallackson requested an audit report and if there is a difference between their report and the State Auditor's report.

Jim Long requested to be specifically excluded from SB 2015 and SB2189 in reference to the form for the marketing increase because our Bureau wants to do that on our own.

Sheila Peterson asked for the total costs of the 15 FTE's. She was informed that the 2007-2009 Biennium Budget Proposal (1) does give that information.

Senator Tallackson asked Mr. Long to explain why his Department does not want to be under the Governor's pay plan and where his employees stand in the insurance plan proposed.

Jim Long stated for one thing it won't allow for pay performance. Secondly we have asked for less money than what the governor is providing because our employees received a raise when the other state employees did not. He stated that his office would gladly fall under whatever the state's insurance program is. His concern regarding falling under the governor's increase is directed toward the market increase which their office has already done.

Senator Krebsbach asked if their office wants to do, rather than the 4 and 4, a 3 .5 for each year. And then the difference between what the Governor put into his budget of the 4% and 3.5%, how would that reconcile.

Senator Wardner looking at the charts and records provided, it looks like the Governor gives you more than you asked for.

Sheila Peterson stated that the chart shows the health insurance that they added in.

Senator Krebsbach requested a breakdown on that alone.

Senator Wardner asked how that will affect their employees and if there will be a problem there. They'll say they are not treated the same as the rest of the state employees.

Mark Armstrong I would hope that their employees recognize that they have been rewarded with the market adjustments and the raises last year and the 4 and 4 last year that all employees got double adjustments over the last two years. The HAY group came in, we had an all-employee meeting where this was all explained. Every one got market adjustments, which we call XYZ adjustments based on length of services. Subsequent of that we were told because of the Attorney General's opinion we were going to get an additional increase on top of that. He stated he hopes the employees will see this is a fare compromise. We are a pay-per-performance system, so some people will get a 2% increase, some people may get a 5% increase based on their performance and level of work

Jim Long stated the HAY group did look at our pay per performance structure and made some changes. They looked at other agencies that could compare to the work his agency does and came up with insurance agencies in 6 states. Looking at these records we can see we are losing our employees because of salaries and work load. It is very expensive because we have trained them and don't want to loose them. It is a good investment because you don't want people who work as hard as a claims adjuster look at other markets and leave because the pay level is higher in the private sector or even in another type of business. It is also a direct impact on the moral of the staff.

Senator Krebsbach asked if in the last session they did a market increase and asked if there was an average or a dollar amount that went along with that. She also asked what the total cost was of that market adjustment.

The following is a list of Exhibits submitted to the Subcommittee at their first meeting.

1. 2007-2009 Biennium Budget Proposal Chart.

2. Claims Load Chart.
3. Claims' Adjuster Payback Chart
4. Safety FTE Return on Investment (ROI) Chart
5. Impact of Proactive Safety Programs Chart
6. WSI Payroll by Month Chart
7. .Workforce Safety and Insurance 2005-06 Quick Facts Chart.

Senator Krebsbach closed the subcommittee hearing on SB 2021.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

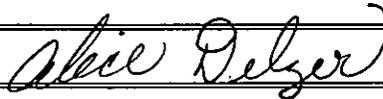
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01-23-07

Recorder Job Number: 1699

Committee Clerk Signature



Minutes:

Senator Krebsbach opened the subcommittee hearing on SB 2021 at 2:30 pm on January 23, 2007 in reference to Workforce Safety and Insurance (WSI). Those present were: Senators Wardner and Tallackson, from WSI – Jim Long, Tim Schenfisch, Brandi Fagerland, Sandy Blunt, and Cindy Ternes; from OMB – Sandy Paulson and Sheila Peterson.

Written Testimony (1) Service Contract Supervisor Development Workshops was distributed to the committee.

Discussion followed regarding the requests for an additional 15 FTE's . Senator Krebsbach stated this subcommittee would like to have a little more justification regarding the additional FTE's asked for by WSI.

Sandy Blunt, CEO of WSI shared the reasons the department needs more FTE's; Claims are going up, more detailed work is required of the adjusters, and the need to provide better service overall to the employer and employee in getting prompt medical attention, getting into the medical plan and the industry's finding is that the cost is not the reason but rather not being able to manage the claims that come into the office.

Senator Krebsbach asked why there is a need for an increase in employees if safety training has reduced the amount of claims filed with their office. The question was also asked if there is a shift in injury types.

Sandy Blunt responded by stating there is a trend that there is fewer severe claims filed than less severe claims. But in the Industry as a whole they anticipate claims going up.

Discussion followed regarding time loss claims, wages lost, and medical only claims.

Senator Tallackson had questions concerning serious disability claims.

Discussion followed about Safety Workshops. The need for FTE's in this program is crucial as proper training for the Employer-employee will hopefully eliminate many serious claims.

Questions were asked about Contract employees. Comments were that it would be a savings for the Department to have a FTE instead of contract employees.

Senator Wardner asked questions regarding what is included in the governor's budget. He was informed that the three items are: 15 FTE's, Market Adjustment, and Professional Development and Operations.

Senator Krebsbach asked where the dollars came from for the pay-per-performance that you gave last time.

Senator Wardner requested explanation of columns on charts and asked about travel and operating expenses.

Discussion followed regarding increase in wages, contract services, reduction in budget request in operating expenses, increase in traveling staff and the expenses involved with travel.

Senator Krebsbach asked if the biggest part of the budget request that the governor's budget did not include was the 15 FTE's requested.

Sandy Paulson explained the budget and the salary increase.

Jim Long emphasized again the importance of the market competition and their office being able to attract employees with the expertise they need to do the work required of them.

Senator Wardner stated this subcommittee needs to zero in on the 15 FTE issues.

Senator Tallackson requested a recap on the positions of the new 15 FTE's and if the Bureau can absorb the expense without raising premiums. He also asked how do they establish the rates for each business and if it is an industry standard. He also asked how many bills they have in this session.

Sandy Blunt stated that they do an industry review and stated they have 5 bills and they are supporting some of the other bills in this session.

Senator Tallackson stated the committee is kind of caught in the middle of the debate with the governor and your committee and asked for comments regarding that.

Sandy Blunt said the Board supported remaining as we are, It is free from political influence and we are a better managed system then we were 10 years ago. Statements were made concerning the contract employees, costs of storing files, need to increase imaging and scanning.

Again the importance of the 15 FTE's was questioned and stressed by the Department that they have done all they can to see if they could operate without the 15 FTE's and with the advise from HAY Group and Opticon, they need these employees to handle the work load properly and efficiently. The claims do not settled soon enough, the moral of the employees because of overload, the safety people over worked, the fact that their jobs are very time consuming and stressful all are instrumental in our request for the additional 15 FTE's.

Senator Tallackson asked how many people are on the Board and how often do they meet. There are 11 members, all appointed by the Governor and they meet quarterly.

Senator Wardner had questions regarding the budget process. The comment was made if the budget requests are not granted they have two options: 1. Lay people off 2. Take back the raises that were given. Further discussion followed stating you cannot take the raises back, and that we have to dig a little deeper to find the funding. Questions were raised again about

the pay per performance plan the department uses, and making sure the language is submitted into the budget proposals.

Comments were made by the Senators regarding SB 2189 and SB 2015, the fact they are on the way to the House. All three Senators feel better about the requests made by the WSI Department and will study the requests more. The staff at WSI stated they would be available anytime for more deliberation if needed.

Senator Krebsbach stated if there needed to be another meeting by the Subcommittee with WSI they will be contacted. Senator Krebsbach closed the subcommittee meeting on SB2021.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

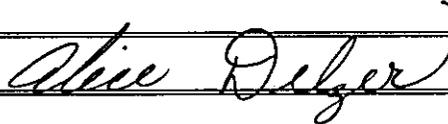
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-06-07

Recorder Job Number: 2960

Committee Clerk Signature



Minutes:

Chairman Krebsbach opened the Subcommittee hearing on SB 2021 on February 6, 2007.

Senators Wardner and Tallackson are on this subcommittee and were present at this meeting. Others present at this meeting were Jim Long, Cindy Ternes and Sandy Blunt from WSI, Roxanne Woeste from Legislative Council, and Sheila Peterson from OMB.

Discussion followed regarding Performance and Merit Records, whether the final audit was taken to emergency, questions regarding the Safety fund, the Professional Development Program, if everyone understands and is comfortable in their department regarding performance and merit pay raises, discussion about the 4 and 4 plan, the reserve fund, questions regarding increasing the amount of money that is invested and if there is an amendment on reserve fund. A chart that had been introduced in a prior meeting was explained to the Subcommittee by Sandy Blunt. Questions were asked regarding safety training, premium rates, administrative costs, death claims, and other information was requested regarding firemen's death benefits that might be covered in another bill. Questions were raised regarding the need for all of the FTE's the Department is requesting. The Subcommittee was assured by WSI that they felt very strongly that they need all of the positions that they are seeking to provide the people of North Dakota the best service the Department can offer. They are very concerned about injuries, lost time from work, and getting

Page 2

Senate Appropriations Committee

Bill/Resolution No. 2021

Hearing Date: 02-06-07

people in for medical care as soon as possible. The fact they have to meet legal requirements was discussed. The development of new energy and impact on claims, questions regarding the oil industry and a detailed report concerning claims filed will be provided to the Subcommittee.

The Subcommittee hearing on SB 2021 closed.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-09-07

Recorder Job Number: 3333

Committee Clerk Signature

Alice Dehner

Minutes:

Senator Holmberg opened the hearing on SB 2021 on February 9, 2007. He passed the amendments out to the committee members.

Senator Krebsbach made comment that Senator Tallackson, who was on the Subcommittee is not here today, but she is confident that he would approve of all the amendments that have been prepared. She then asked Senator Wardner to explain the amendments. He asked for a do pass on the amendment and the bill.

Senator Wardner moved a DO PASS THE AMENDMENT AS CHANGED, Seconded by Senator Krebsbach. The motion carried with 1 nay vote.

Discussion followed.

Senator Christman had questions regarding the 4 and 4 plan.

Senator Mathern questioned the word periodically in section 5 concerning the report. He felt WSI needed further direction concerning how often a report needed to be submitted. It was discussed by both **Senators Wardner and Krebsbach** and they both stated the wording needed to be changed to have a quarterly report.

Chairman Holmberg stated the amendment will be changed by Legislative Council concerning this matter.

Senator Robinson expressed concern over many issues concerning WSI, the Pay Per Performance issue, the calls from injured workers, the governor's budget and the Agency's response to it were some of the issues that need to be solved. He commended the Subcommittee for their hard work concerning this bill and the WSI Agency.

Chairman Holmberg shared what had happened last session and also commended the subcommittee for their dedicated work concerning the Workforce and Safety Department.

Senator Bowman stated he served on the Audit and Fiscal Review Committee and heard the audit on it and there were some things that were disturbing but it wasn't anything so alarming that it scared me.

Senator Krebsbach stated the WSI Agency was extremely cooperative and provided the information the committee had requested. She also thanked Senator Wardner for the work he has done in researching the issues regarding this agency and this bill. She stated that there's a lot of good going on over in that agency that has gotten totally clouded by the Audit report and we need to concentrate on the good things too.

Chairman Holmberg stated we have a motion on the floor which is for the amendments as we have changed them by adding "Quarterly", all in favor of the amendment say aye.

Senator Krebsbach moved a DO PASS AS AMENDED, Seconded by Senator Wardner. A roll call vote was taken resulting in 9 yeas, 3 nays, 2 absent. The motion carried.

Senator Wardner will carry the bill.

Senator Krebsbach stated that Senator Tallackson would be in agreement with the decisions of the subcommittee. The only thing he hasn't seen and she was sure he would not object to the last amendment we added regarding adding the word "Quarterly" as well as reporting to the budget committee. I request that Senator Wardner carry the bill if he so desires.

The hearing on SB 2021 closed.

Sub 2
2-6-07
SB2021

PROPOSED AMENDMENTS TO SENATE BILL NO. 2015

Page 5, line 16, after the period insert:

Any general salary increases provided for in this Act do not apply to Workforce Safety and Insurance. It is the intent of the Sixtieth Legislative Assembly that Workforce Safety and Insurance provide salary increases throughout the 2007-09 biennium based on Workforce Safety and Insurance's separate merit and performance system.

Renumber Accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2021

Page 1, line 2, after "insurance" insert "; to provide an appropriation for the labor commissioner"

Page 1, after line 17, insert:

"SECTION 4. APPROPRIATION. There is appropriated out of any moneys from special funds derived from the workforce safety and insurance fund, not otherwise appropriated, to the labor commissioner for the purpose of implementing the provisions of Senate Bill No. 2292, for the biennium beginning July 1, 2007, and ending June 30, 2009, as follows:

Salaries and wages	\$966,399
Operating expenses	<u>105,920</u>
Total special funds appropriation	\$1,072,319"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides an appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292. This amendment also authorizes 5 new FTE for the Labor Commissioner, 4 FTE transferred from Workforce Safety and Insurance and 1 new FTE position.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2021

Page 1, line 2, after "insurance" insert "; to provide legislative intent; and to provide for a report"

Page 1, line 12, replace "16,497,988" with "19,750,731"

Page 1, line 17, replace "50,020,989" with "53,273,732"

Page 1, after line 17, insert:

"SECTION 4. INTENT - STATE EMPLOYEE COMPENSATION ADJUSTMENTS - GUIDELINES. It is the intent of the sixtieth legislative assembly that the general salary increases provided for in Senate Bill No. 2189 do not apply to workforce safety and insurance. Workforce safety and insurance may provide salary increases during the 2007-09 biennium based on the agency's merit and performance system.

SECTION 5. PERFORMANCE AUDIT RECOMMENDATIONS - REPORT TO THE BUDGET SECTION. Workforce safety and insurance shall report periodically to the budget section on the agency's status of implementing the performance audit recommendations of the state auditor."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Workforce Safety and Insurance	<u>\$50,020,989</u>	<u>\$3,252,743</u>	<u>\$53,273,732</u>
Total all funds	\$50,020,989	\$3,252,743	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>3,252,743</u>	<u>53,273,732</u>
General fund	\$0	\$0	\$0
FTE	223.14	14.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of Senate Changes

	PROVIDES FUNDING FOR 14 NEW FTE POSITIONS ¹	PROVIDES FUNDING FOR SALARY INCREASES AND OPERATING EXPENSES ADJUSTMENTS ²	TOTAL SENATE CHANGES
Workforce Safety and Insurance	<u>\$1,821,456</u>	<u>\$1,431,287</u>	<u>\$3,252,743</u>
Total all funds	\$1,821,456	\$1,431,287	\$3,252,743
Less estimated income	<u>1,821,456</u>	<u>1,431,287</u>	<u>3,252,743</u>
General fund	\$0	\$0	\$0
FTE	14.00	0.00	14.00

¹ This amendment provides funding (salaries and wages and related operating expenses) for the following 14 new FTE positions:

	FTE	AMOUNT
Information services position	1.00	\$131,238
School monitoring specialist	1.00	113,986
Underwriter	1.00	130,726
Loss prevention representatives	4.00	723,656

Loss control representatives	2.00	270,800
Claims adjusters	<u>5.00</u>	<u>451,050</u>
Total	14.00	\$1,821,456

² This amendment provides funding of \$1,176,690 for pay for performance increases and market salary increases and funding of \$254,597 for other operating expenses.

This amendment also:

- Adds a section providing that the general salary increases provided for in Senate Bill No. 2189 do not apply to Workforce Safety and Insurance and Workforce Safety and Insurance may provide salary increases during the 2007-09 biennium based on the agency's merit and performance system.
- Adds a section providing the Workforce Safety and Insurance report to the Budget Section regarding the agency's status of implementing the performance audit recommendations of the State Auditor.

Date: 2/9/07
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as amend.

Motion Made By Krebsbach Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter		
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern		✓
Senator Randel Christmann	✓		Senator Larry J. Robinson		✓
Senator Tom Fischer	✓		Senator Tom Seymour		✓
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 9 No 3

Absent 2

Floor Assignment Sen B Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2021: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). SB 2021 was placed on the Sixth order on the calendar.

Page 1, line 2, after "insurance" insert "; to provide legislative intent; and to provide for a report"

Page 1, line 12, replace "16,497,988" with "19,750,731"

Page 1, line 17, replace "50,020,989" with "53,273,732"

Page 1, after line 17, insert:

"SECTION 4. INTENT - STATE EMPLOYEE COMPENSATION ADJUSTMENTS - GUIDELINES. It is the intent of the sixtieth legislative assembly that the general salary increases provided for in Senate Bill No. 2189 do not apply to workforce safety and insurance. Workforce safety and insurance may provide salary increases during the 2007-09 biennium based on the agency's merit and performance system.

SECTION 5. PERFORMANCE AUDIT RECOMMENDATIONS - REPORT TO THE BUDGET SECTION. Workforce safety and insurance shall report quarterly to the budget section on the agency's status of implementing the performance audit recommendations of the state auditor."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Workforce Safety and Insurance	<u>\$50,020,989</u>	<u>\$3,252,743</u>	<u>\$53,273,732</u>
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Less estimated income	<u>50,020,989</u>	<u>3,252,743</u>	<u>53,273,732</u>
General fund	\$0	\$0	\$0
FTE	223.14	14.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of Senate Changes

	PROVIDES FUNDING FOR 14 NEW FTE POSITIONS ¹	PROVIDES FUNDING FOR SALARY INCREASES AND OPERATING EXPENSES ADJUSTMENTS ²	TOTAL SENATE CHANGES
Workforce Safety and Insurance	<u>\$1,821,456</u>	<u>\$1,431,287</u>	<u>\$3,252,743</u>
Total all funds	\$1,821,456	\$1,431,287	\$3,252,743
Less estimated income	<u>1,821,456</u>	<u>1,431,287</u>	<u>3,252,743</u>
General fund	\$0	\$0	\$0

FTE 14.00 0.00 14.00

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	FTE	AMOUNT
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Total	14.00	\$1,821,456

² This amendment provides funding of \$1,176,690 for pay for performance increases and market salary increases and funding of \$254,597 for other operating expenses.

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- Adds a section providing the Workforce Safety and Insurance report to the Budget Section regarding the agency's status of implementing the performance audit recommendations of the State Auditor.

2007 HOUSE APPROPRIATIONS

SB 2021

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2021

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: February 23, 2007

Recorder Job Number: 3757

Committee Clerk Signature

Shirley Branning

Minutes:

Chairman Wald: Called the meeting to order on Engrossed SB 2021, Workforce Safety and Insurance by introducing **Mr. Sandy Blunt**, Executive Director and CEO of Workforce Safety and Insurance (WSI).

Blunt: (See Handout #1, Engrossed SB 2021) began his testimony by describing WSI as the sole provider of worker's compensation insurance in the state. Budget data was presented, as found on Attachments #2-4. Included in these requests were itemized FTE requests for salaries and expenses and technology upgrades.

Representative Hawken: Your report to the budget committee instead of the audit and fiscal review committee, why would that be?

Blunt: That would be section 6 of the appropriation bill. The Senate added that, amended it onto the bill. I am unaware of exactly why the appropriation, but the agency has no problem reporting on a quarterly basis.

Representative Aarsvold: Do we have any data that would compare claims to benefits distributed, historically?

Blunt: We can prepare that data for you.

Chairman Wald: What does your accounts receivable look like?

Blunt: Our benchmark is 2% or less, and we are under the 2% benchmark right now.

Chairman Wald: Do you have any idea how many dollars that represents?

Blunt: Will find that number and get that to you.

Chairman Wald: Your expenditure for a computer, that's over 2 bienniums. How do you anticipate installing the software, hardware, whatever?

Blundt: The delinquent premiums are 1.4% and represents \$1.9m. This is a long-term computer system replacement. It will take 3-5 years to do it. The initial phase is the most expensive and we believe the cost will be somewhere between \$14-20m and it will replace our entire system.

Representative Klein: Is your computer system all within house?

Blunt: Yes, all current systems or anything new or data bases we are required to go through ITD or receive a waiver so we partner with them.

Representative Klein: You do that so you have some cooperation with overall.

Blunt: Yes, cooperation and efficiencies of scale.

Representative Aarsvold: What about employees who are employed by delinquent employers? Are they protected?

Blunt: Yes, the employee is always covered, no matter what.

Chairman Wald: What is the situation with out-of-state coverage?

Blunt: The employer buys a \$600 rider to their current policy. The state where the injury occurs will recognize the coverage.

Chairman Wald: Regarding problems with Montana, what is the status on that?

Blunt: We are getting close to a reciprocity agreement.

Chairman Wald: How is the payroll handled so they don't end up paying twice?

Blunt: We allow the employee to segregate the payroll.

Chairman Wald: Why do you refer to SB 2292?

Blunt: The thought is to have truly independent third party reviews. We oppose this because it would ask us to pay for it and it would cost more than we actually have budgeted.

Representative Klein: Didn't we separate the facilities, this group with the independent reviews?

Blunt: They are in a separate facility away from the organization.

Representative Klein: Claims adjustor, 5 additional people, talking about a more robust IS system, what is that?

Blunt: That is information systems.

Representative Aarsvold: I hear a lot from the injured worker, have we swung too far?

Blunt: We are among 90-91% of claims being accepted. We are only a few points off, compared to other states.

Representative Klein: On the issue of payroll judgments, has that ever been done or has that been straightened out.

Blunt: The information has been provided to the interim budget committee. Those raises were compounded on each other. There will be a lag time before we give an increase and it will be everybody at one time.

Chairman Wald: Are you satisfied with the current language in the bill to rectify the problem you had last time?

Blunt: We are and we will also monitor SB 2015 as SB 2189 which addresses state employee pay raises. If SB 2015 were to conflict with this, we would have to act quickly.

Vice Chairman Monson: You have requested 14 new FTE, the Senate put in 10. There is a transfer FTE of 4. The net effect is that you ended up with 10 new FTEs

Blunt: We originally asked for 15 and received 14. What they did was restore what the board had originally requested. The governor had trimmed the employees out. There are 4 employees that work in the office of independent review. It has taken those 4 FTEs and transferred them already along with funding to the labor commissioner. It is 14 even though it appears that there are 15.

Vice Chairman Monson: You have the breakdown of what all 14 will be doing. The majority of your money, \$14m, is for the computer switch but I don't see that many FTE associated with the IS. Are you having a lot more claims that requires more FTE?

Blunt: The analysis is 9.12 more (See Handout #1, Engrossed SB 2021, attachment titled "Claims Load"). The load is increasing on the adjusters.

Chairman Wald: How many student loans are you giving to injured workers?

Blunt: I believe, only two to date because the interest is higher.

Chairman Wald: There was a dramatic increase in pharmacy costs. Are we getting a handle on usage and cost?

Blunt: We have a pharmacy manager and apply cost schedules. Also, generics first. There was negative growth last year.

Representative Aarsvold: Small employers feel that it is difficult for them to get involved in loss control and prevention program because of the size of their business. Do larger employers have an advantage?

Blunt: Larger employers have an advantage because they can hire a full-time safety professional. We have an outcomes based system with small employers. Every employer in the state now qualifies for up to 15% reduction.

Representative Aarsvold: How much history do you demand to qualify for those premium reductions?

Blunt: Just simply being an employer and sign up, you automatically qualify and the computers will calculate if you earned it or not.

Chairman Wald: Are there any other comments on budget issues. We are not taking any comments on claims.

Lisa Fair McEvers, Commissioner of Labor. (See Handout #2, Engrossed SB 2021) offered testimony regarding section 4 of 2021 in that it calls for a transfer of funds to the Dept. of Labor and stating a neutral position on SB 2021 and SB 2292. Asking for a separate line item rather than FTE to allow more flexibility to hire outside counsel.

Representative Hawken: There was reference made to whether or not it is constitutional. We should check that before we continue.

McEvers: An Attorney General's opinion is available and copies can be provided to the committee.

Ed Christianson: Spoke in favor of SB 2292 and stated that the money for WSI belongs to the state.

David L. Kemnitz, President AFL-CIO: Spoke about transfer of moneys between WSI and the Labor Dept.

Chairman Wald: Hearing no further comments or questions closed the hearing on SB 2021.

2007 HOUSE STANDING COMMITTEE MINUTES

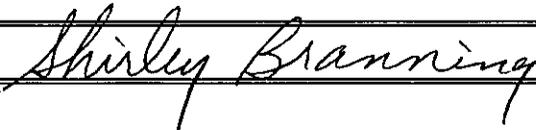
Bill/Resolution No. SB 2021

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: 4909

Committee Clerk Signature 

Minutes:

Chairman Wald: Called the meeting to order to discuss amendment .0301 of SB 2021 pages 2 and 3.

Representative Klein: Question related to spending for dependents of the people who were hurt or...

Chairman Wald: This would be a medical student at the University of North Dakota medical school to pursue some specialized training in the area of occupational health. This provides semiannual rather than quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor. It also creates a new section to NDCC Chapter 65-02 relating to occupational health and preventive medicine programs.

Representative Aarsvold: Where in the budget do we find contracted services, particularly attorney fees for the appeal process?

Sandy Paulson, Office of Management and Budget representative: If there is a conflict of interest they would have to pay. If they prevail their legal fees are covered.

Representative Gulleson: I feel very uncomfortable with this type of management within an agency. Rather than rewarding them with additional spending authority, I think we ought to be

doing the opposite in this budget. We ought to be putting in specific language that outlines our intentions for consistency and fairness in their salary process.

Chairman Wald: Because of the very thing you are talking about they are going to advocate because of the very thing you are talking about, Representative Gulleason. Rather than 4 and 4 like other state employees, they are going 3.5 and 3.5.

Are there any other questions on the amendments? If not, I will entertain a motion to accept the amendment 0301 of SB 2021.

Representative Klein: So Move

Representative Martinson: Second.

Chairman Wald: Voice vote carried. We have the bill in front of us as amended

Representative Martinson: So move

Representative Klein: Second

Chairman Wald: Motion made and seconded to accept the bill as amended, Clerk will call the roll.

Vote: 6 yes 1 no, 0 absent Motion carried

Carrier, Chairman Wald

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2021

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 14, 2007

Recorder Job Number: 5089

Committee Clerk Signature

Holly N. Arnold

Minutes:

Chm. Svedjan called the House Appropriations Committee meeting to order.

Chm. Svedjan opened the hearing on SB 2021.

Rep. Wald distributed amendment .0301 (Attachment A) and "Workforce Safety & Insurance" handout (Attachment B).

Rep. Wald described the changes made by amendment .0301 (Ref. 2:42). We need to do more in terms of employee relations and Section 6 adds \$60,000 for awards that must be accounted for. The second part of Section 6 promotes Occupational Health and Preventive Medicine programs.

SB 2292 would have moved the Office of Independent Review to the Labor Dept. and bill was killed on the House floor (Ref. 4:35) so we restored the money and FTEs back to WSI. The Education and Environment (EE) Section also thought semiannual rather than quarterly reports to the Budget Section by WSI were sufficient.

Rep. Wald motioned to adopt amendment .0301. Rep. Kreidt seconded the motion.

Rep. Skarphol: Does any other agency have anything similar to what is in Section 6, the first part (Ref. 6:40)?

Rep. Wald: I don't know. WSI is unique. I view them as an insurance firm rather than the typical state agency and because of the criticism, valid or not, when they had the audit that was an area that needed improvement.

Rep. Skarphol: OMB has provisions in their parameters that they can allow for this type of thing if they choose. There is a list of entities that are on that list and it was suggested that the Legislative Council and Legislative Assembly be added to it. Mr. Olsrud was very adamant about the fact that we weren't going to ask the Executive Branch for anything. I'm really curious whether or not any other agencies have anything similar allowed for in the law.

Rep. Wald: This issue was one where there was a total misunderstanding as to what WSI's authority was in terms of expending these kinds of funds. It's my understanding that in the last biennium OMB said they didn't need this kind of language and when they did it, there was that \$18,000 item in their audit that was open to discussion and disagreement. This would solve that issue and avoid future misunderstandings.

Rep. Gulleson: This is the section of the bill I had concerns with in section. I am going to ask that we further amend and remove the section on spending authority. My concern is that it is inconsistent with what we do with all other agencies. It's also inconsistent with our policy on state expenditures (Ref. 8:56).

Rep. Wald: I would resist that motion to remove Section 6. We need to spell out the parameters regarding authority.

Chm. Svedjan: It might be simpler to first address amendment .0301 and then accept your (Rep. Gulleson) motion.

Rep. Ekstrom: WSI is not that dissimilar from the BND or the mill and elevator. We don't extend this kind of authority to them. I have a lot of trouble with this.

Rep. Carlson: I beg to differ that there are similarities with this and the BND. As a citizen of ND I am also one of the owners of the bank and I'm also a stockholder in WSI. There's a huge difference in those two. I don't see any problem with doing this.

Rep. Gulleson: Reading from the audit, "Public funds should be spent efficiently and only expended to pay for expenditures that are directly related to the purpose of the agency and within the agency's statutory responsibilities. As required by the constitution of ND and in accordance with the 1993 Attorney General's opinion, an agency may expend public funds only for public purposes (12:37).

Rep. Wald: In that context, I'm wondering if premiums paid by employers are considered public funds like tax dollars are? I think there's a difference.

The motion to adopt amendment .0301 carried by a voice vote and the amendment was adopted.

Rep. Gulleson motioned to further amend Section 6 to remove spending authority and those six lines that define what spending authority is in this bill (Ref. 13:46). Rep. Ekstrom seconded the motion. (Rep. Gulleson requested a roll call vote in order to have a Minority Report).

Rep. Skarphol: My point was not to point out WSI. If we want to develop a policy like this we ought to do it for all of state government, not for one entity.

Rep. Wald: If you read the last sentence it makes it clear how the money is spent.

Rep. Aarsvold: I served on the subcommittee that dealt with WSI and I did not read carefully when I reviewed the spending authority section and the part that bothers me is "training for public officials." Who are the public officials and what is the nature of that training?

Rep. Wald: I could be new board members, freshmen legislators (Ref. 16:09).

Rep. Aarsvold: How appropriate is it for the agency to pick up that responsibility instead of Legislative Council?

Rep. Wald: I think Legislative Council is with taxpayer dollars. These are not taxpayer dollars. These are premium dollars and would be considered in a different category.

Chm. Svedjan: There have been instances where other agencies have covered the costs, not Legislative Council. That could be from grant funding, I don't know exactly, but it happened for me with DOCR.

Rep. Gulleason: Within their budget, they also have \$2.1 million in professional development funds and \$900,000 in travel funds. They have the authority now to train, etc. out of those funds.

Rep. Wald: If the \$60,000 is the problem, let's strip it out and keep the wording so they have the authority to do it and clear up the misunderstanding that's been going on between OMB and the agency.

Chm. Svedjan: In summary, funds in the past have been used for this purpose, but apparently there was something in the form of a recommendation in the audit that addressed this issue. This language is intended to not only specify that a sum of money be authorized for the purposes cited therein, but it would also give clear authority to expend funds for those purposes (Ref. 19:33).

Rep. Glassheim: Are we saying that this sets the precedent that any agency can have awards for employees, give them gifts, can lobby legislators by taking them out to lunch, dinner and

we're o.k. with that (Ref. 20:29)? Either it applies to everybody or it's a very special thing just for WSI. It seems odd and against most of what we do.

Rep. Carlson: The real purpose of WSI is to deal with injured workers. Employees of WSI are unclassified which puts them on a different ground than most state employees. They also work under a pay-for-performance system in many cases which is different from the system we use for the rest of state government. Maybe we should be bringing everyone else up to their level.

Chm. Svedjan: The motion would take out the language in Section 6 under the heading "Spending Authority" and the six underscored lines.

Rep. Thoreson: A "yes" vote would remove the language?

Chm. Svedjan: That's correct.

The motion to further amend failed by a roll call vote of 9ayes, 13 nays and 2 absent and not voting.

Rep. Gulleason: Just to confirm that a minority report will be drafted on that part.

Chm. Svedjan: So noted.

Rep. Wald motioned to further amend by taking out the \$60,000 in Section 6 and leaving the authority language. Rep. Kempenich seconded the motion.

Rep. Aarsvold: I'm uncomfortable with that. That would mean they could spend whatever. I would like a cap if we're going to remove the language.

Rep. Wald: Some people were uncomfortable with the additional money and I'm trying to accommodate them. If you feel that way, then maybe we should leave the \$60,000 and that becomes the cap.

Rep. Monson: You still have the last line that says "all expenses authorized under this section must be recorded in a separate expense code for reporting purposes." So, I would hope they would use as much restraint as they could.

The motion to amend out the \$60,000 and leave the authority carried by a voice vote and the amendment was adopted.

Rep. Wald motioned for a Do Pass as Amended. Rep. Klein seconded the motion.

Rep. Nelson: How will this read in the bill? In Section 6, if the language doesn't change, the authority is still there and the dollars will be taken out in the line item, wouldn't that cap be there?

Chm. Svedjan: If you look at p. 2 of the amendments, at the bottom of the page, \$60,000 was included. My understanding is that it's that \$60,000 that's been taken out.

Rep. Nelson: My question is, if we just put a zero there rather than a \$60,000 and the language stays the same that means that they do have the authority to do their public relations work, but they really have the cap because the \$60,000 would serve as a limit, wouldn't it?

Chm. Svedjan: That's an interesting question. I was looking at this as taking out the funds that would have been reflected on p. 2, but I believe I made reference to the language in the Spending Authority section in explaining the amendment. I believe the intent of the amendment was to remove the \$60,000 out of that language as well.

Rep. Nelson: My understanding was that if it was zero to put a zero on the line.

Rep. Wald: WSI will be very careful not to exceed \$60,000 based on all this discussion.

Chm. Svedjan: What we voted on took the \$60,000 language out of that Section which also took the \$60,000 out of the budget.

Rep. Wald: That's right.

Rep. Monson: What is left in the spending authority? You can't just take out the \$60,000. It doesn't read right. We need clarification.

Chm. Svedjan: That's one of the problems with verbal amendments. My feeling is that it would read something to the effect, "Notwithstanding any other provisions of law, the organization may spend dollars during any biennium . . ." It just wouldn't have the 60,000 in there.

Rep. Wald: I think Legislative Council can develop the language to reflect what is meant here.

Rep. Carlisle: It's unlimited now with the 60,000 out.

Chm. Svedjan: Yes.

Rep. Kempenich: It's not unlimited.

Allen Knudson, Legislative Council: I would see the language as, "Notwithstanding any other provision of law, the organization may spend funds subject to legislative appropriations for the purpose of purchasing awards . . ."

Chm. Svedjan: So that would link it to the budget indicating that they would have to spend out of the budget that's approved.

Rep. Gulleon: In reality, these funds were recorded. The State Auditor reviewed their budget and indicated they were an inappropriate use of state expenditures. We have a system by which we audit budgets whether they contain general funds or where their revenues come from including fees for services. We have oversight over their budget. We're saying that because it has been found that their spending funds outside of what we provide for in our

constitution and our law, we're going to change the law? This is so inappropriate for us to talk about what kind of language we can put so they can get around the law.

Rep. Kempenich: What constitutes public funds? That's the crux of the problem.

Rep. Monson: We appropriate this money, so it's got to be state funds, whatever the source.

Rep. Glassheim: We require people to use WSI. It's a law that people pay in. All the rules are the rules we approve. It's a public agency although the funding comes from outside.

Audio difficulties (37:25)

The motion for a Do Pass as Amended carried by a roll call vote of 15 ayes, 7 nays and 2 absent and not voting. Rep. Wald was designated to carry the bill.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2021

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 28, 2007

Recorder Job Number: 5588

Committee Clerk Signature

Molly N. Hand

Minutes:

Chm. Svedjan called the meeting of the House Appropriations Committee to order.

Chm. Svedjan: I think there's going to be a motion for the reconsideration of SB 2021. If that's the case, we'll take that first, and then we have SB 2015. That will be our last bill which is 2418 which is the late bill on the Veterans' Home in Lisbon. We worked late last night to get all the Standing Committee Reports in but we still have SB 2013, SB 2012 and SB 2032 in our possession. We'll get those up today. We hoped to get them on the calendar for today but we just couldn't get it done. That leaves us with five bills that need Standing Committee Reports, so they'll show up on tomorrow's calendar.

Rep. Wald motioned to reconsider SB 2021. **Rep. Skarphol** seconded the motion.

Rep. Wald: If you go to Section 6, the original amount was \$60,000. We debated that here in Committee and then we removed the \$60,000 with no cap. This bill simply puts a \$50,000 cap on that activity.

The motion to reconsider SB 2021 carried by a voice vote.

Rep. Wald motioned to adopt amendment .0304. Rep. Skarphol seconded the motion.

Chm. Svedjan: The amendment puts a cap of \$50,000 on Section 6 of SB 2021.

Rep. Gulleson: I think it's a good idea to have a cap, but I'm still going to make a motion to remove the entire section. This section of this amendment is wrong. It basically says that this amendment allows the agency to go around everything we've got in terms of the definition of how public funds should be expended in the constitution and the law. It's not where we need to be going with this agency where the audit questioned spending.

Rep. Wald: I have the 2005 session minutes on this bill. The agency asked OMB for clarification then on what the policy should be. They were told at that time that it was not needed. The OMB policy outlines this and there is no need for this language. Then the CEO of Workmen's Comp wrote to OMB and said he wanted a clarification on this. They said use common sense and good judgment. This time, they want it in code exactly what the parameters are and what they can spend money for.

Chm. Svedjan: With regard to the phrase, "Notwithstanding any other provision of law..." is that something that has to be in there just because there is an exception being made here? Is it required language? I have a feeling that it is.

Becky Keller, Legislative Council: It is standard language.

Rep. Ekstrom: Why did this go from \$60,000 to \$50,000?

Rep. Wald: After talking with Mr. Blunt he agreed to \$50,000. I would be surprised if they spend half of that. This is not general fund money.

Rep. Gulleson: There is no distinction in law of how the legislature is authorized to spend public money. This is public money. It's the same as Game and Fish, Job Service, the State Seed Department, etc. The revenues may come from a different source, but the legislature has

oversight over this public money and it is to be distributed under law. They don't get a separation because it's employer money.

Chm. Svedjan: Are you taking issue with the practice of doing this for employees? The reason for asking is that this is a regular and customary part of our (the institution of which he is a part) budgeting process. We do it to recognize, retain and recruit employees. This is not an unusual practice.

Rep. Gulleson: It does raise the question as to what a public body can do than is different from a private entity. We do have to rise to a different level of scrutiny. We do not allow any other agency when asked when the auditor gave his report on this a week ago, I was in the room when the question was asked, "Does any other division or department of government receive authority to spend money on these types of things?" They said "No. We allow for those reasonable expenditures of plaques but otherwise usually the departments raise the money within, but they don't use public money to do it."

Rep. Wald: the crux of what we're trying to address is the last sentence, "All expenses authorized under this section must be recorded in a separate expense code for reporting purposes" so the auditor doesn't go in there and criticize for buying balloons. There are state agencies. . . I have a drawer full of Chiclets, calendars, pens, and on and on and on. Buying balloons is not unusual for a state agency. All the nitpicking that went into that audit that was totally, in my mind, unjustified. We're spending \$53 million -- \$14 million for a new computer system and we're nitpicky on an \$18,000 item that was totally blown out of proportion in my view. I would suggest we move on.

Rep. Wieland: Do I dare ask what a pickle party is? (Referring to items previously mentioned by Rep. Gulleson).

Rep. Gulleson explained what was meant by "pickle party."

The motion to adopt amendment .0304 to HB 2021 carried by a voice vote and the amendment was adopted.

Rep. Gulleson motioned to remove the spending authority section. Rep. Ekstrom seconded the motion. Rep. Gulleson requested a roll call vote in order to prepare a minority report. The roll call vote failed by a roll call vote of 11 ayes, 12 nays and 1 absent and not voting.

Rep. Wald motioned for a Do Pass as Amended. Rep. Skarphol seconded the motion.

Chm. Svedjan: You still want the minority report on this?

Rep. Gulleson: Yes.

The motion carried by a roll call vote of 16 ayes, 7 nays and 1 absent and not voting.

Rep. Wald was designated to carry the bill.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2021

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 29, 2007

Recorder Job Number: 5624

Committee Clerk Signature

Jelly N. Fard

Minutes:

Chm. Svedjan opened the hearing on SB 2021.

Chm. Svedjan: SB 2021.

Jay Buringrud, Assistant Director, Legislative Council: As I understand it, a roll call vote was taken on the majority report for SB 2021. There were more than four members of the Committee voted against that report and a minority report was prepared. But, under the rules, you need a roll call vote on that and here's the reason why: If you have more than four members vote against that majority report, you cannot assume that the Chairman has said without objection. You cannot assume that all those people support the minority report. That's why you have a roll call vote to indicate those people who support that particular minority report.

Chm. Svedjan: So in this situation all we need is someone to move to request a minority report?

Mr. Buringrud: A member who voted against the majority report.

Chm. Svedjan: That's correct. And in this case it was a part line vote. If anyone's wondering how they voted.

Rep. Wald: In order to get the mechanics right, I would motion that we reconsider . . .

Chm. Svedjan: We don't need to. All I need is a motion. . . Rep. Glassheim.

SB
2021
3/29/07

Rep. Glassheim: I move that we submit a minority report. And I forget what . . .

Chm. Svedjan: In this instance, this is the bill that has to do with workforce safety. The item at question was to remove in Section 6 the new language under the bold heading, "Spending Authority."

Rep. Glassheim moved the minority report to remove that language. Rep. Ekstrom seconded the motion.

Chm. Svedjan: So, the same thing is true in this vote now that was true in the last one on the motion that requested the minority report. Anyone who supported the majority report cannot vote to support the minority report.

Mr. Buringrud: Correct.

The roll call vote on the motion for a minority report was 7 ayes, 13 nays and 4 absent and not voting.

Chm. Svedjan: That concludes our work on SB 2021.

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2021

Page 1, line 2, remove "to provide an appropriation for the labor commissioner;"

Page 1, line 3, remove "and" and after "report" insert "; to provide a continuing appropriation; and to create and enact two new sections to chapter 65-02 of the North Dakota Century Code, relating to employee awards and incentive spending authority and implementation of occupational health and preventive medicine programs"

Page 1, line 13, replace "19,750,731" with "19,810,731"

Page 1, line 18, replace "53,273,732" with "53,333,732"

Page 1, remove lines 19 through 23

Page 2, remove lines 1 through 3

Page 2, line 10, replace "quarterly" with "semiannually"

Page 2, after line 12, insert:

"SECTION 6. Two new sections to chapter 65-02 of the North Dakota Century Code are created and enacted as follows:

Spending authority. Notwithstanding any other provision of law, the organization may spend, subject to legislative appropriations, up to sixty thousand dollars during any biennium for the purpose of purchasing awards or incentive items for employment-related activities, including employee training sessions and workers' compensation education or training for public officials. All expenses authorized under this section must be recorded in a separate expense code for reporting purposes.

Occupational health and preventive medicine programs - Continuing appropriation. Upon approval of the board, the organization may establish and implement programs to advance occupational health and preventive medicine in this state and to protect the integrity of the fund. These programs may include the provision of education or training, consultation, grants, scholarships, or other incentives that promote superior care and treatment of the workforce in this state. Funds in the workforce and insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Labor Commissioner				
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		1,072,319	(1,072,319)	
General fund	\$0	\$0	\$0	\$0
Workforce Safety and Insurance				
Total all funds	\$50,020,989	\$53,273,732	\$60,000	\$53,333,732
Less estimated income	50,020,989	53,273,732	60,000	53,333,732

General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$50,020,989	\$54,346,051	(\$1,012,319)	\$53,333,732
Less estimated income	<u>50,020,989</u>	<u>54,346,051</u>	<u>(1,012,319)</u>	<u>53,333,732</u>
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2021 - Labor Commissioner - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		\$966,399	(\$966,399)	
Operating expenses		<u>105,920</u>	<u>(105,920)</u>	
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>	
General fund	\$0	\$0	\$0	\$0
FTE	0.00	5.00	(5.00)	0.00

Dept. 406 - Labor Commissioner - Detail of House Changes

	REMOVES FUNDING AND FTE POSITIONS FOR OFFICE OF INDEPENDENT REVIEW ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$966,399)	(\$966,399)
Operating expenses	<u>(105,920)</u>	<u>(105,920)</u>
Total all funds	(\$1,072,319)	(\$1,072,319)
Less estimated income	<u>(1,072,319)</u>	<u>(1,072,319)</u>
General fund	\$0	\$0
FTE	(5.00)	(5.00)

¹ This amendment removes the appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review due to the defeat of the bill. This amendment also removes the authorization of 5 new FTE positions for the Labor Commissioner, 4 FTE positions transferred from Workforce Safety and Insurance and 1 new FTE position.

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Workforce Safety and Insurance	\$50,020,989	\$53,273,732	\$60,000	\$53,333,732
Total all funds	\$50,020,989	\$53,273,732	\$60,000	\$53,333,732
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>	<u>60,000</u>	<u>53,333,732</u>
General fund	\$0	\$0	\$0	\$0
FTE	223.14	233.14	4.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of House Changes

	PROVIDES FUNDING FOR EMPLOYEE AWARDS AND INCENTIVES ¹	RESTORES THE FTE POSITIONS	TOTAL HOUSE CHANGES
Workforce Safety and Insurance	\$60,000		\$60,000
Total all funds	\$60,000	\$0	\$60,000
Less estimated income	<u>60,000</u>		<u>60,000</u>
General fund	\$0	\$0	\$0
FTE	0.00	4.00	4.00

¹ This amendment provides funding of \$60,000 from special funds for employee awards and incentives. This amendment also creates a new section to North Dakota Century Code (NDCC) Chapter 65-02 relating to employee awards and incentives.

This amendment also:

- Modifies Section 6 of the engrossed bill to provide for semiannual rather than quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor.
- Creates a new section to NDCC Chapter 65-02 relating to occupational health and preventive medicine programs.

Date: 3/14/07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 78045, 0301

Action Taken Adopt Amendment 0301

Motion Made By Wald Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Voice Vote - Carries

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendment as desc. below.

Motion Made By Gulleson Seconded By Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Representative Wald		✓	Representative Aarsvold	✓	
Representative Monson		✓	Representative Gulleson	✓	
Representative Hawken		✓			
Representative Klein		✓			
Representative Martinson		✓			
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert		✓	Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt		✓	Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland		✓			

Total (Yes) 9 No 13

Absent 2

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Amend Section 4 to remove
spending authority.
motion failed*

Date: 3/14/07
 Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken (Further Amend)
Adopt Amend as below.

Motion Made By Wald Seconded By Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleason		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Section 6 - remove language w:
 \$60,000. Lease authority. Funds
 come out of WSI's budget
 Yea Vote - carries*

VR
 3/15/07
 1082

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2021

Page 1, line 2, remove "to provide an appropriation for the labor commissioner;"

Page 1, line 3, remove "and" and after "report" insert "; to provide a continuing appropriation; and to create and enact two new sections to chapter 65-02 of the North Dakota Century Code, relating to employee awards and incentive spending authority and implementation of occupational health and preventive medicine programs"

Page 1, remove lines 19 through 23

Page 2, remove lines 1 through 3

Page 2, line 10, replace "quarterly" with "semiannually"

Page 2, after line 12, insert:

"SECTION 6. Two new sections to chapter 65-02 of the North Dakota Century Code are created and enacted as follows:

Spending authority. Notwithstanding any other provision of law, the organization may spend funds, subject to legislative appropriations, for the purpose of purchasing awards or incentive items for employment-related activities, including employee training sessions and workers' compensation education or training for public officials. All expenses authorized under this section must be recorded in a separate expense code for reporting purposes.

Occupational health and preventive medicine programs - Continuing appropriation. Upon approval of the board, the organization may establish and implement programs to advance occupational health and preventive medicine in this state and to protect the integrity of the fund. These programs may include the provision of education or training, consultation, grants, scholarships, or other incentives that promote superior care and treatment of the workforce in this state. Funds in the workforce and insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Labor Commissioner				
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		1,072,319	(1,072,319)	
General fund	\$0	\$0	\$0	\$0
Workforce Safety and Insurance				
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	50,020,989	53,273,732		53,273,732
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$50,020,989	\$54,346,051	(\$1,072,319)	\$53,273,732
Less estimated income	50,020,989	54,346,051	(1,072,319)	53,273,732
General fund	\$0	\$0	\$0	\$0

2082

Senate Bill No. 2021 - Labor Commissioner - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		\$966,399	(\$966,399)	
Operating expenses		<u>105,920</u>	<u>(105,920)</u>	
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>	
General fund	\$0	\$0	\$0	\$0
FTE	0.00	5.00	(5.00)	0.00

Dept. 406 - Labor Commissioner - Detail of House Changes

	REMOVES FUNDING AND FTE POSITIONS FOR OFFICE OF INDEPENDENT REVIEW ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$966,399)	(\$966,399)
Operating expenses	<u>(105,920)</u>	<u>(105,920)</u>
Total all funds	(\$1,072,319)	(\$1,072,319)
Less estimated income	<u>(1,072,319)</u>	<u>(1,072,319)</u>
General fund	\$0	\$0
FTE	(5.00)	(5.00)

¹ This amendment removes the appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review due to the defeat of the bill. This amendment also removes the authorization of 5 new FTE positions for the Labor Commissioner, 4 FTE positions transferred from Workforce Safety and Insurance and 1 new FTE position.

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Workforce Safety and Insurance	<u>\$50,020,989</u>	<u>\$53,273,732</u>	\$0	<u>\$53,273,732</u>
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>		<u>53,273,732</u>
General fund	\$0	\$0	\$0	\$0
FTE	223.14	233.14	4.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of House Changes

	RESTORES THE FTE POSITIONS	TOTAL HOUSE CHANGES
Workforce Safety and Insurance		<u>\$0</u>
Total all funds	\$0	\$0
Less estimated income		
General fund	\$0	\$0
FTE	4.00	4.00

This amendment also:

- Modifies Section 6 of the engrossed bill to provide for semiannual rather than quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor.
- Creates a new section to North Dakota Century Code (NDCC) Chapter 65-02 relating to employee awards and incentives.
- Creates a new section to NDCC Chapter 65-02 relating to occupational health and preventive medicine programs.

Majority Report
302

Date: 3/14/07
 Roll Call Vote #: 4

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No pass as amended (auth. exists, \$100,000 line; removed)

Motion Made By Wald Seconded By Klein from

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan 1	✓				
Vice Chairman Kempenich 2	✓				
Representative Wald 3	✓		Representative Aarsvold 1		✓
Representative Monson 4	✓		Representative Gulleason 2		✓
Representative Hawken 5	✓				
Representative Klein 6	✓				
Representative Martinson 7	✓				
Representative Carlson 8	✓		Representative Glasheim 3		✓
Representative Carlisle 9	✓		Representative Kroeber 4		✓
Representative Skarphol 10	✓		Representative Williams		✓
Representative Thoreson 11	✓				
Representative Pollert 12	✓		Representative Ekstrom		✓
Representative Bellew	✓		Representative Kerzman		✓
Representative Kreidt 13	✓		Representative Metcalf		✓
Representative Nelson 14	✓				
Representative Wieland 15	✓				

Total (Yes) 15 No 7

Absent 2

Floor Assignment Wald

If the vote is on an amendment, briefly indicate intent:

Date: 3/28/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsider 2021

Motion Made By Wald Seconded By Stumpel

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Guleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Yours Vote - carries

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2021

Page 1, line 2, remove "to provide an appropriation for the labor commissioner;"

Page 1, line 3, remove "and" and after "report" insert "; to provide a continuing appropriation; and to create and enact two new sections to chapter 65-02 of the North Dakota Century Code, relating to employee awards and incentive spending authority and implementation of occupational health and preventive medicine programs"

Page 1, remove lines 19 through 23

Page 2, remove lines 1 through 3

Page 2, line 10, replace "quarterly" with "semiannually"

Page 2, after line 12, insert:

"SECTION 6. Two new sections to chapter 65-02 of the North Dakota Century Code are created and enacted as follows:

Spending authority. Notwithstanding any other provision of law, the organization may spend funds up to fifty thousand dollars, subject to legislative appropriations, for the purpose of purchasing awards or incentive items for employment-related activities, including employee training sessions and workers' compensation education or training for public officials. All expenses authorized under this section must be recorded in a separate expense code for reporting purposes.

Occupational health and preventive medicine programs - Continuing appropriation. Upon approval of the board, the organization may establish and implement programs to advance occupational health and preventive medicine in this state and to protect the integrity of the fund. These programs may include the provision of education or training, consultation, grants, scholarships, or other incentives that promote superior care and treatment of the workforce in this state. Funds in the workforce and insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Labor Commissioner				
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		1,072,319	(1,072,319)	
General fund	\$0	\$0	\$0	\$0
Workforce Safety and Insurance				
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	50,020,989	53,273,732		53,273,732
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$50,020,989	\$54,346,051	(\$1,072,319)	\$53,273,732
Less estimated income	50,020,989	54,346,051	(1,072,319)	53,273,732
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2021 - Labor Commissioner - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		\$966,399	(\$966,399)	
Operating expenses		<u>105,920</u>	<u>(105,920)</u>	
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>	
General fund	\$0	\$0	\$0	\$0
FTE	0.00	5.00	(5.00)	0.00

Dept. 406 - Labor Commissioner - Detail of House Changes

	REMOVES FUNDING AND FTE POSITIONS FOR OFFICE OF INDEPENDENT REVIEW 1	TOTAL HOUSE CHANGES
Salaries and wages	(\$966,399)	(\$966,399)
Operating expenses	<u>(105,920)</u>	<u>(105,920)</u>
Total all funds	(\$1,072,319)	(\$1,072,319)
Less estimated income	<u>(1,072,319)</u>	<u>(1,072,319)</u>
General fund	\$0	\$0
FTE	(5.00)	(5.00)

1 This amendment removes the appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review due to the defeat of the bill. This amendment also removes the authorization of 5 new FTE positions for the Labor Commissioner, 4 FTE positions transferred from Workforce Safety and Insurance and 1 new FTE position.

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Workforce Safety and Insurance	<u>\$50,020,989</u>	<u>\$53,273,732</u>	\$0	<u>\$53,273,732</u>
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>		<u>53,273,732</u>
General fund	\$0	\$0	\$0	\$0
FTE	223.14	233.14	4.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of House Changes

	RESTORES THE FTE POSITIONS	TOTAL HOUSE CHANGES
Workforce Safety and Insurance		<u>\$0</u>
Total all funds	\$0	\$0
Less estimated income		
General fund	\$0	\$0
FTE	4.00	4.00

This amendment also:

- Modifies Section 6 of the engrossed bill to provide for semiannual rather than quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor.
- Creates a new section to North Dakota Century Code (NDCC) Chapter 65-02 relating to employee awards and incentives.
- Creates a new section to NDCC Chapter 65-02 relating to occupational health and preventive medicine programs.

Date: 3/28/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 78045.0304

Action Taken Adopt amendment 0304

Motion Made By Wald Seconded By Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Voices Vote - carries

Minority report

Date: 3/28/07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend as below

Motion Made By Gulleson Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich	✓	✓			
Representative Wald		✓	Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	"	✓			
Representative Martinson		✓			
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert		✓	Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt		✓	Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland		✓			

Total (Yes) 11 No 12

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Remove spending authority portion of
Action 4
fails*

Date: 3/28/07
 Roll Call Vote #: 4

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass as amended

Motion Made By Wald Seconded By Abney

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan 1	✓				
Vice Chairman Kempenich 2	✓				
Representative Wald 3	✓		Representative Aarsvold 2		✓
Representative Monson 9	✓		Representative Gulleson 1		✓
Representative Hawken 10	✓				
Representative Klein 4	✓				
Representative Martinson 5	✓				
Representative Carlson 6	✓		Representative Glassheim 3		✓
Representative Carlisle 7	✓		Representative Kroeber 4		✓
Representative Skarphol 11	✓		Representative Williams 5		✓
Representative Thoreson 8	✓				
Representative Pollert 9	✓		Representative Ekstrom 6		✓
Representative Bellew 10	✓		Representative Kerzman 7		✓
Representative Kreidt 11	✓		Representative Metcalf 8		✓
Representative Nelson 12	✓				
Representative Wieland 12	✓				

Total (Yes) 16 No 7

Absent 1

Floor Assignment Wald

If the vote is on an amendment, briefly indicate intent:

Date: 3/29/07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2021

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Request Minority Report 30/3

Motion Made By Glassheim Seconded By Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Representative Wald		✓	Representative Aarsvold 1	✓	
Representative Monson	—		Representative Guleson	—	
Representative Hawken	—				
Representative Klein	—				
Representative Martinson		✓			
Representative Carlson		✓	Representative Glassheim 2	✓	
Representative Carlisle		✓	Representative Kroeber 3	✓	
Representative Skarphol		✓	Representative Williams 4	✓	
Representative Thoreson		✓			
Representative Pollert		✓	Representative Ekstrom 5	✓	
Representative Bellew		✓	Representative Kerzman 6	✓	
Representative Kreidt		✓	Representative Metcalf 7	✓	
Representative Nelson		✓			
Representative Wieland		✓			

Total (Yes) 7 No 13

Absent 4

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Remove new lang. Section 6
 re: spending auth.*

REPORT OF STANDING COMMITTEE (MINORITY)

SB 2021, as reengrossed: Appropriations (Rep. K. Svedjan, Chairman) A MINORITY of your committee (Reps. Aarsvold, Glassheim, Kroeber, Williams, Ekstrom, Kerzman, Metcalf) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS**.

Page 1, line 2, remove "to provide an appropriation for the labor commissioner;"

Page 1, line 3, remove "and" and after "report" insert "; to provide a continuing appropriation; and to create and enact a new section to chapter 65-02 of the North Dakota Century Code, relating to implementation of occupational health and preventive medicine programs"

Page 1, remove lines 19 through 23

Page 2, remove lines 1 through 3

Page 2, line 10, replace "quarterly" with "semiannually"

Page 2, after line 12, insert:

"SECTION 6. A new section to chapter 65-02 of the North Dakota Century Code is created and enacted as follows:

Occupational health and preventive medicine programs - Continuing appropriation. Upon approval of the board, the organization may establish and implement programs to advance occupational health and preventive medicine in this state and to protect the integrity of the fund. These programs may include the provision of education or training, consultation, grants, scholarships, or other incentives that promote superior care and treatment of the workforce in this state. Funds in the workforce and insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Labor Commissioner				
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>	
General fund	\$0	\$0	\$0	\$0
Workforce Safety and Insurance				
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>		<u>53,273,732</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$50,020,989	\$54,346,051	(\$1,072,319)	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>54,346,051</u>	<u>(1,072,319)</u>	<u>53,273,732</u>
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2021 - Labor Commissioner - House Action

	EXECUTIVE	SENATE	HOUSE	HOUSE
(2) DESK, (2) COMM				

	BUDGET	VERSION	CHANGES	VERSION
Salaries and wages		\$966,399	(\$966,399)	
Operating expenses		<u>105,920</u>	<u>(105,920)</u>	
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>	
General fund	\$0	\$0	\$0	\$0
FTE	0.00	5.00	(5.00)	0.00

Dept. 406 - Labor Commissioner - Detail of House Changes

	REMOVES FUNDING AND FTE POSITIONS FOR OFFICE OF INDEPENDENT REVIEW ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$966,399)	(\$966,399)
Operating expenses	<u>(105,920)</u>	<u>(105,920)</u>
Total all funds	(\$1,072,319)	(\$1,072,319)
Less estimated income	<u>(1,072,319)</u>	<u>(1,072,319)</u>
General fund	\$0	\$0
FTE	(5.00)	(5.00)

¹ This amendment removes the appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review due to the defeat of the bill. This amendment also removes the authorization of 5 new FTE positions for the Labor Commissioner, 4 FTE positions transferred from Workforce Safety and Insurance and 1 new FTE position.

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Workforce Safety and Insurance	<u>\$50,020,989</u>	<u>\$53,273,732</u>	\$0	<u>\$53,273,732</u>
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>		<u>53,273,732</u>
General fund	\$0	\$0	\$0	\$0
FTE	223.14	233.14	4.00	237.14

Dept. 485 - Workforce Safety and Insurance - Detail of House Changes

	RESTORES THE FTE POSITIONS	TOTAL HOUSE CHANGES
Workforce Safety and Insurance		<u>\$0</u>
Total all funds	\$0	\$0
Less estimated income		
General fund	\$0	\$0
FTE	4.00	4.00

This amendment also:

- Modifies Section 6 of the engrossed bill to provide for semiannual rather than quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor.

- Creates a new section to NDCC Chapter 65-02 relating to occupational health and preventive medicine programs.

The reports of the majority and the minority were placed on the Seventh order of business on the calendar for the succeeding legislative day.

2007 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2021

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2021

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 04-06-07

Recorder Job Number: 5812

Committee Clerk Signature



Minutes:

Senator Krebsbach opened the conference committee on SB 2021 with roll call, all were present. She indicated it was a much shorter bill than was sent to the House.

Representative Wald discussed the House changes to SB 2021 indicating he was talking about amendment 0304. The Senate version was that WSI should report to the budget section quarterly and the House changed that to semiannually. The House doesn't have a problem with changing that back. In section 6, we included the spending authority of up to \$50,000 for employee training awards. This was not additional money, but is cap. The reason this surfaced again is because in checking with the Council Library and going back to the hearing we had last biennium for HB 1022 and at that time we had a similar motion to have a better definition as to the parameters for this. He indicated he was very disappointed in the audit and a lot of controversy surfaced. He went to OMB and discussed with Jeff Lars regarding promotional items, incentives, etc. Each agency spends money on different items and OMB has no way of knowing what those expenses are or what account codes they should be charged to. In the amendment Section 6 specifically says "all expenses authorized under this section must be recorded with a separate expense code for reporting purposes. We had an honest attempt to outline the parameters. He discussed OMB's vague policy on promotional expenses and indicated this was the reason for the amendment.

Senator Wardner questioned the occupational health preventive medicine program came from where.

The response was it came from WSI because there is a lack of these types of professionals in the health care profession and this would be an appropriation that gives scholarships at UND Med School to have young students move into occupational health and preventative medicine because there is a shortage of these specialties in North Dakota. This is a forward looking amendment to get med students to specialize in occupational health and preventative medicine.

Senator Wardner questioned how this would be paid for. The response was it would come from their existing budget.

Sandy Blunt, WSI, Executive Director indicated the money would come from the reserve fund which is a continuing appropriation. The Board of Directors would be charged with putting the appropriate amount of money aside for scholarships and other costs.

Senator Krebsbach asked if there is any tie in to returning to work at the bureau or is a scholarship and they are on their own.

Mr. Blunt indicated WSI would have to outline all of the parameters in working with the scholarships. It may be a year of scholarship and two years of service.

Senator Wardner questioned whether Mr. Blunt felt there is a shortage and WSI is trying to stimulate interest. The response was yes and there are no board certified occupational medicine positions in the state. We are working with the College of Occupational Environmental Medicine.

Senator Wardner asked Mr. Blunt if these people would then be in private practice around the state. The response was yes.

Senator Krebsbach indicated this was an idea that came up after the Senate hearing. What kind of dollars are you looking at for the scholarship program. The response was the board is prepared to put up to \$15 million into the trust fund. We have to do is analyse as we are looking at \$140,000 for education

and in looking at how many numbers we will be looking at for scholarships. The plan is to use the money as principal and use only the interest for the scholarships.

Representative Wald asked if Mr. Blunt had been in contact with Dean Wilson of the Medical School about this program. The response was not yet as we did not have the details. If this passes we will discuss the details later.

Senator Krebsbach indicated this is the permissive language to develop the program. The response was yes.

Senator Wardner commented that in looking at this for first time and knowing what we know about the medical services in ND that we are looking for ways to put more teeth into our medical services. This is way for WFS to help state. This is a positive program giving back to the citizens.

Sophia Pressler, concerned citizen, district 35 testified indicating she is very concerned when state agencies set up boards in the Government. When you set up boards in government, you destroy government. You may not ever privatize Government. She then discussed the Carver Model mentioned in the audit and indicated government must always be non profit.

Senator Krebsbach indicated there are three changes we are looking at, the occupational health and preventative medicine program, the change in the quarterly report, and the addition of the \$50,000. Is this correct?

Representative Aarsvold indicated the detail of those changes also has information about the office of independent review regarding the failure to pass 2282.

Representative Wald indicated the senate had a bill to move the office of independent review to the labor department and amendment 0304 bill, because that bill was killed, the funding was taken from the Labor Commissioners Office and back to WSI so it is a wash in terms of dollars.

Senator Wardner would like to get done with this today. He then questioned the amendment where the FTE was removed from the lab, we concur. On the other three items, we would like to go back to

quarterly because WFS does have quarterly Reports. We think with the current environment that to have quarterly at least this next biennium and then the following biennium we could change it again. Senator Wardner indicated we like to have the awards incentive portion taken out. The last part on the Occupational Health and Preventative Medicine program we think that is a good program and it should stay.

Senator Wardner moved the House recede from their amendments and amend to reduce the funding for the labor commissioner back to WSI, reduce to quarterly reporting, we would not include the spending authority and include the Occupational Health and Preventative Medicine, Senator Tallackson seconded. Discussion followed.

Representative Wald indicated he will vote for motion as stated. It is unfortunate that the spending authority was an honest attempt to set parameters because WSI has their own board, own their own building, etc. and it is not typical of OMB policy in terms of promotional expense. The disappointment I have is that it took on a life of its own as slush fund. I think the media has a feeding frenzy on a non-issue. We have moved, regarding this agency, from constructive criticism to an environment of harassment.

Senator Krebsbach indicated the committee understands your desire to have this be a positive thing but it has turned into a very negative thing. Your final comments, if all work together we can get the negative behind us on the entire organization and bring it to light to where it should be.

A roll call vote was taken resulting in 6 yes votes. The motion carried and the committee was dissolved.

Comm. dissolved

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number 2021 (, as (re)engrossed):

Date: 4/6

Your Conference Committee _____

For the Senate:

For the House:

<u>4/6</u> Sen Karen Krebsbach	<u>4/6</u> ✓			Rep Francis Wald	✓			<u>4/6</u> ✓
Sen Rich Wardner	✓			Rep Mathew Klein	✓			✓
Sen Harvey Tallackson	✓			Rep Ole Aarsvold	✓			✓

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

_____ and place _____ on the Seventh order.

_____, adopt (further) amendments as follows, and place _____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

HOUSE CARRIER: _____

SENATE CARRIER: _____

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: _____

SECONDED BY: _____

VOTE COUNT: ___ YES ___ NO ___ ABSENT

REPORT OF CONFERENCE COMMITTEE

SB 2021, as reengrossed: Your conference committee (Sens. Krebsbach, Wardner, Tallackson and Reps. Wald, Klein, Aarsvold) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1241-1242, adopt amendments as follows, and place SB 2021 on the Seventh order:

That the House recede from its amendments as printed on pages 1241 and 1242 of the Senate Journal and pages 1300-1302 of the House Journal and that Reengrossed Senate Bill No. 2021 be amended as follows:

Page 1, line 2, remove "to provide an appropriation for the labor commissioner;"

Page 1, line 3, remove "and" and after "report" insert "; to provide a continuing appropriation; and to create and enact a new section to chapter 65-02 of the North Dakota Century Code, relating to implementation of occupational health and preventive medicine programs"

Page 1, remove lines 19 through 23

Page 2, remove lines 1 through 3

Page 2, after line 12, insert:

"SECTION 6. A new section to chapter 65-02 of the North Dakota Century Code is created and enacted as follows:

Occupational health and preventive medicine programs - Continuing appropriation. Upon approval of the board, the organization may establish and implement programs to advance occupational health and preventive medicine in this state and to protect the integrity of the fund. These programs may include the provision of education or training, consultation, grants, scholarships, or other incentives that promote superior care and treatment of the workforce in this state. Funds in the workforce and insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Labor Commissioner						
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0	\$0	\$0
Less estimated income		1,072,319	(1,072,319)			
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Workforce Safety and Insurance						
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732	\$53,273,732	\$0
Less estimated income	50,020,989	53,273,732		53,273,732	53,273,732	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill Total						
Total all funds	\$50,020,989	\$54,346,051	(\$1,072,319)	\$53,273,732	\$53,273,732	\$0
Less estimated income	50,020,989	54,346,051	(1,072,319)	53,273,732	53,273,732	
General fund	\$0	\$0	\$0	\$0	\$0	\$0

Senate Bill No. 2021 - Labor Commissioner - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		\$966,399	(\$966,399)			
Operating expenses		<u>105,920</u>	<u>(105,920)</u>			
Total all funds	\$0	\$1,072,319	(\$1,072,319)	\$0	\$0	\$0
Less estimated income		<u>1,072,319</u>	<u>(1,072,319)</u>			
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	5.00	(5.00)	0.00	0.00	0.00

Dept. 406 - Labor Commissioner - Detail of Conference Committee Changes

	REMOVES FUNDING AND FTE POSITIONS FOR OFFICE OF INDEPENDENT REVIEW ¹	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$966,399)	(\$966,399)
Operating expenses	<u>(105,920)</u>	<u>(105,920)</u>
Total all funds	(\$1,072,319)	(\$1,072,319)
Less estimated income	<u>(1,072,319)</u>	<u>(1,072,319)</u>
General fund	\$0	\$0
FTE	(5.00)	(5.00)

¹ This amendment removes the appropriation to the Labor Commissioner of \$1,072,319 from the Workforce Safety and Insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review due to the defeat of the bill. This amendment also removes the authorization of 5 new FTE positions for the Labor Commissioner, 4 FTE positions transferred from Workforce Safety and Insurance, and 1 new FTE position. The appropriation and FTE position were also removed by the House.

Senate Bill No. 2021 - Workforce Safety and Insurance - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Workforce Safety and Insurance	\$50,020,989	\$53,273,732		\$53,273,732	\$53,273,732	
Total all funds	\$50,020,989	\$53,273,732	\$0	\$53,273,732	\$53,273,732	\$0
Less estimated income	<u>50,020,989</u>	<u>53,273,732</u>		<u>53,273,732</u>	<u>53,273,732</u>	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	223.14	233.14	4.00	237.14	237.14	0.00

Dept. 485 - Workforce Safety and Insurance - Detail of Conference Committee Changes

	RESTORES THE FTE POSITIONS	TOTAL CONFERENCE COMMITTEE CHANGES
Workforce Safety and Insurance		
Total all funds	\$0	\$0
Less estimated income		
General fund	\$0	\$0
FTE	4.00	4.00

This amendment:

- Creates a new section to North Dakota Century Code (NDCC) Chapter 65-02 relating to occupational health and preventive medicine programs. This section was also added by the House.
- Retains quarterly reports to the Budget Section on the agency's status of implementing the performance audit recommendations of the State Auditor as provided for in the Senate version of the bill. The House had changed the reporting requirements to semiannual reports to the Budget Section.
- Does not include a new section to NDCC Chapter 65-02 relating to employee awards and incentives as added by the House.

Reengrossed SB 2021 was placed on the Seventh order of business on the calendar.

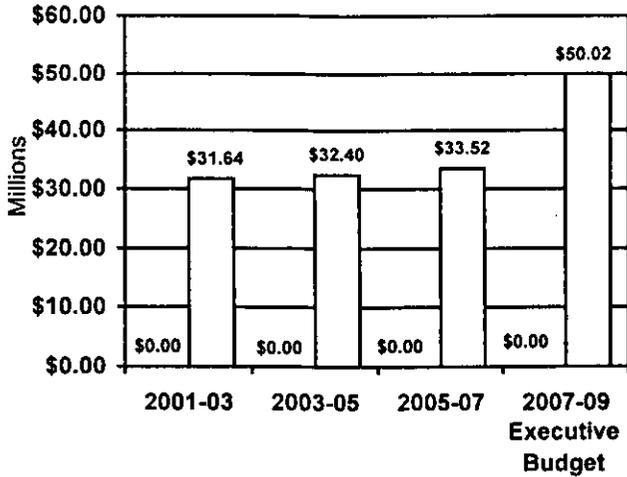
2007 TESTIMONY

SB 2021

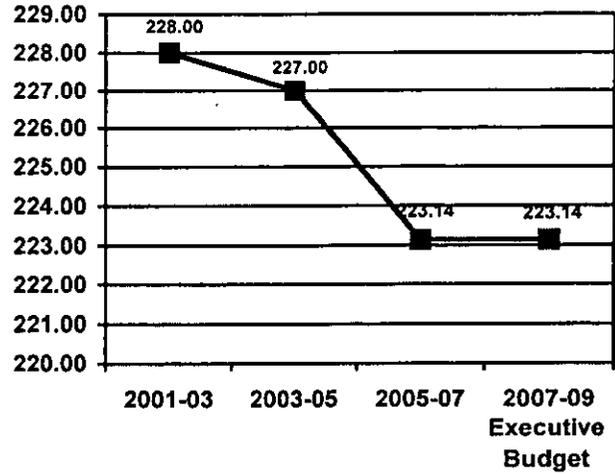
Department 485 - Workforce Safety and Insurance
Senate Bill No. 2021

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	223.14	\$0	\$50,020,989	\$50,020,989
2005-07 Legislative Appropriations	223.14	0	33,523,002	33,523,002
Increase (Decrease)	0.00	\$0	\$16,497,987	\$16,497,987

Agency Funding



FTE Positions



■ General Fund □ Other Funds

Executive Budget Highlights

1. Provides funding to continue salary increases provided for in the 2005-07 biennium
2. Provides funding for the agency's information technology plan, including projects such as claims and policy system replacement, web portal, data warehouse, customer relationship management system, and learning management system

	General Fund	Other Funds	Total
		\$435,000	\$435,000
		\$14,000,000	\$14,000,000

Continuing Appropriations

Building maintenance account - NDCC Section 65-02-05.1 - Money in the Workforce Safety and Insurance 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 building and grounds.

Reinsurance and other states' coverage - NDCC Section 65-02-13.1 - Money in the Workforce Safety and Insurance 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 - NDCC Section 65-02-06.1 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of all allocated loss adjustment expenses experienced by the agency.

Preferred worker program - NDCC Section 65-05-36 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of any employment-related expenses for the preferred worker program.

Performance evaluation - NDCC Section 65-02-30 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of the expense of conducting a biennial independent performance evaluation.

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

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

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

Educational revolving loan fund - NDCC Section 65-05.1-08 - Money in the Workforce Safety and Insurance 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.

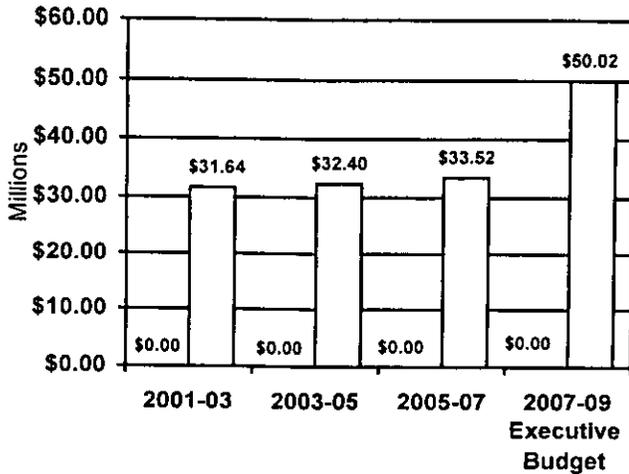
Major Related Legislation

Senate Bill No. 2073 - This bill relates to the appointment of members to the Workforce Safety and Insurance Board of Directors.

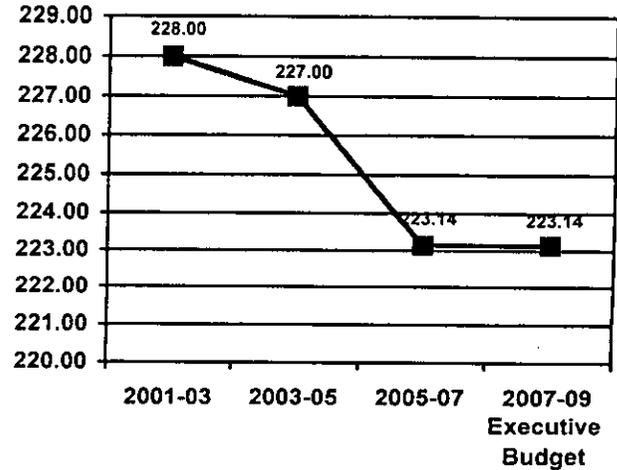
Department 485 - Workforce Safety and Insurance
Senate Bill No. 2021

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	223.14	\$0	\$50,020,989	\$50,020,989
2005-07 Legislative Appropriations	223.14	0	33,523,002	33,523,002
Increase (Decrease)	0.00	\$0	\$16,497,987	\$16,497,987

Agency Funding



FTE Positions



■ General Fund □ Other Funds

First House Action

Attached is a summary of first house changes.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding to continue salary increases provided for in the 2005-07 biennium. The Senate provided additional funding of \$1,176,690 for pay-for-performance increases and market salary increases.		\$435,000	\$435,000
2. Provides funding for the agency's information technology plan, including projects such as claims and policy system replacement, web portal, data warehouse, customer relationship management system, and learning management system		\$14,000,000	\$14,000,000

Continuing Appropriations

Building maintenance account - NDCC Section 65-02-05.1 - Money in the Workforce Safety and Insurance 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 building and grounds.

Reinsurance and other states' coverage - NDCC Section 65-02-13.1 - Money in the Workforce Safety and Insurance 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 - NDCC Section 65-02-06.1 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of all allocated loss adjustment expenses experienced by the agency.

Preferred worker program - NDCC Section 65-05-36 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of any employment-related expenses for the preferred worker program.

Performance evaluation - NDCC Section 65-02-30 - Money in the Workforce Safety and Insurance fund is appropriated on a continuing basis for the payment of the expense of conducting a biennial independent performance evaluation.

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

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

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

Educational revolving loan fund - NDCC Section 65-05.1-08 - Money in the Workforce Safety and Insurance 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.

Major Related Legislation

Senate Bill No. 2072 - This bill increases workers' compensation dependency allowance payments.

Senate Bill No. 2073 - This bill relates to the appointment of members to the Workforce Safety and Insurance Board of Directors.

Senate Bill No. 2257 - This bill changes the membership of the Workforce Safety and Insurance Board of Directors.

Senate Bill No. 2292 - This bill changes the administration of the Office of Independent Review from Workforce Safety and Insurance to the Department of Labor.

Senate Bill No. 2294 - This bill changes the standard for reopening closed workers' compensation claims.

Senate Bill No. 2342 - This bill provides for the timely processing of workers' compensation claims.

House Bill No. 1156 - This bill eliminates the expiration date for the Workers' Compensation Review Committee.

House Bill No. 1411 - This bill allows for the purchase or adaptation of specially equipped motor vehicles for the catastrophically injured.

House Bill No. 1460 - This bill relates to the membership of the Workforce Safety and Insurance Board of Directors.

ATTACH:1

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Labor Commissioner			
Salaries and wages		\$966,399	\$966,399
Operating expenses		105,920	105,920
Total all funds	\$0	\$1,072,319	\$1,072,319
Less estimated income	0	1,072,319	1,072,319
General fund	\$0	\$0	\$0
FTE	0.00	5.00	5.00
Workforce Safety and Insurance			
Workforce safety and insurance	\$50,020,989	\$3,252,743	\$53,273,732
Total all funds	\$50,020,989	\$3,252,743	\$53,273,732
Less estimated income	50,020,989	3,252,743	53,273,732
General fund	\$0	\$0	\$0
FTE	223.14	10.00	233.14
Bill Total			
Total all funds	\$50,020,989	\$4,325,062	\$54,346,051
Less estimated income	50,020,989	4,325,062	54,346,051
General fund	\$0	\$0	\$0
FTE	223.14	15.00	238.14

Senate Bill No. 2021 - Labor Commissioner - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages		\$966,399	\$966,399
Operating expenses		105,920	105,920
Total all funds	\$0	\$1,072,319	\$1,072,319
Less estimated income	0	1,072,319	1,072,319
General fund	\$0	\$0	\$0
FTE	0.00	5.00	5.00

Department No. 406 - Labor Commissioner - Detail of Senate Changes

	Provides Funding and FTE Positions for Office of Independent Review ¹	Total Senate Changes
Salaries and wages	\$966,399	\$966,399
Operating expenses	105,920	105,920
Total all funds	\$1,072,319	\$1,072,319
Less estimated income	1,072,319	1,072,319
General fund	\$0	\$0
FTE	5.00	5.00

¹ This amendment provides an appropriation to the Labor Commissioner of \$1,072,319 from the workforce safety and insurance fund for implementing the provisions of Senate Bill No. 2292 relating to the administration of the Office of Independent Review. This amendment also authorizes 5 new FTE for the Labor Commissioner, 4 FTE transferred from Workforce Safety and Insurance and 1 new FTE position.

Senate Bill No. 2021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	Senate Changes	Senate Version
Workforce safety and insurance	\$50,020,989	\$3,252,743	\$53,273,732
Total all funds	\$50,020,989	\$3,252,743	\$53,273,732
Less estimated income	50,020,989	3,252,743	53,273,732
General fund	\$0	\$0	\$0
FTE	223.14	10.00	233.14

Department No. 485 - Workforce Safety and Insurance - Detail of Senate Changes

	Provides Funding for 14 New FTE Positions ¹	Provides Funding for Salary Increases and Operating Expenses Adjustments ¹	Transfers FTE Positions	Total Senate Changes
Workforce safety and insurance	\$1,821,456	\$1,431,287		\$3,252,743
Total all funds	\$1,821,456	\$1,431,287	\$0	\$3,252,743
Less estimated income	1,821,456	1,431,287	0	3,252,743
General fund	\$0	\$0	\$0	\$0
FTE	14.00	0.00	(4.00)	10.00

¹ This amendment provides funding (salaries and wages and related operating expenses) for the following 14 new FTE positions:

	FTE	Amount
Information services position	1.00	\$131,238
School monitoring specialist	1.00	113,986
Underwriter	1.00	130,726
Loss prevention representatives	4.00	723,656
Loss control representatives	2.00	270,800
Claims adjusters	5.00	451,050
Total	14.00	\$1,821,456

² This amendment provides funding of \$1,176,690 for pay for performance increases and market salary increases and funding of \$254,597 for other operating expenses.

This amendment also:

- Adds a section providing that the general salary increases provided for in Senate Bill No. 2189 do not apply to Workforce Safety and Insurance and Workforce Safety and Insurance may provide salary increases during the 2007-09 biennium based on the agency's merit and performance system.

Adds a section providing the Workforce Safety and Insurance report to the Budget Section regarding the agency's status of implementing the performance audit recommendations of the State Auditor.

(1)

2007 Senate Bill 2021
Testimony before the Senate Appropriations Committee
Presented by Sandy Blunt, Executive Director/CEO
Workforce Safety and Insurance
January 12, 2007

Mr. Chairman and Members of the Committee:

Good morning. My name is Sandy Blunt and I am the Executive Director and CEO of Workforce Safety & Insurance (WSI). I am here to testify in support of WSI's biennial appropriations bill --SB 2021. On behalf of WSI's Board of Directors and dedicated workforce, I would like to thank the Chairman and the Committee for providing the agency the opportunity to testify today.

As you know, WSI is the sole provider of workers' compensation insurance in the State of North Dakota. WSI was established in 1919 with the purpose of providing wage and medical benefits to workers injured or killed during the course of their employment. Our charge remains unchanged today.

WSI is not a general fund agency and therefore receives no tax dollars. Instead, WSI collects premiums which provide for the payment of medical and wage benefits as well as administrative costs.

Legislative and operational reforms over the past decade have resulted in a better, more stable, and financially strong workers' compensation system. Consequently, because of legislative and stakeholder support, it has been possible for WSI and its Board of Directors to provide expanded benefits, commit \$35 million to matching safety grants, commit \$15 million to low-interest loans, and declare two 40% premium dividend credits. It is estimated that \$150 million has been committed back to North Dakota's economy and workforce.

This has all been done while continuing to work to establish a competitive and stable premium structure. For the third time in a row, the Oregon Department of Consumer and Business Services has cited North Dakota as having the lowest workers' compensation premium rates in the nation.

However, the agency is focused on more than just affordable premium rates. If the system is not adequately providing for the workforce of North Dakota when they are hurt on the job, then the system is failing its commitment to the citizens of North Dakota. The National Academy of Social Insurance ranked North Dakota twenty-sixth in the nation for benefits paid to injured workers.

Additionally, processing times for claims have been significantly improved, litigation rates are at all time lows, and the state's legislative members have consistently improved the benefit structure for injured workers each and every session since the Board's creation in 1997 (Attachment 1). These combined efforts have provided for a benefit structure with less ambiguities, a commitment to promptly serving our customers, and a focus on increased benefits for the most severely injured.

Most importantly, strategic partnerships with North Dakota's employers and employees have led to fewer severe injuries than we have seen in the past. This is a great outcome for the families of North Dakota's workers. However, until we see zero injuries, there is still much work to do. In order to remain as one of the nation's premier systems, workplace safety must continue to be a top investment and priority because the best injury is the one that never happened.

WSI is committed to delivering the services and advancements to North Dakota's workforce that they expect and deserve. And the organization feels that the budget presented today continues to provide the necessary resources to not only sustain these positive results, but also ensure WSI continues to build on these results for the benefit of North Dakota and its workforce. In devising this budget, expenditures were reduced where possible while still remaining efficient and effective: efficient in managing our organization's use of premium dollars to maintain financial stability; and, effective in professionally and personally providing quality services to our injured workers and employers.

Presented for your consideration is WSI's administrative budget request of \$50,020,991. However, WSI's Board of Directors had originally approved and submitted a biennial appropriation request of \$53,289,914 and we stand before you today with Board consent asking that the committee amend and restore the budget to the originally approved and submitted level of \$53,289,914. If restored, WSI's biennial budget will be nearly \$20 million larger than the last biennium's request. The increase mainly results from the request for 15 additional FTEs and a \$14 million investment in new information technology.

	Current Appropriation 2005-2007	Executive Recommendation 2007-2009	WSI Request 2007-2009	Change in WSI Request from 2005-2007	Change in WSI Request from 2005-2007 Excluding the \$14,000,000
Agency Appropriation	33,523,001	50,020,991	53,289,914	19,766,913	17.2%
Total FTE	223.14	223.14	238.14	15.00	7%

Specifically, there were two primary reductions made to WSI's originally submitted budget which WSI is asking for reinclusion. The first reduction removed the request for 15 additional FTEs in the amount of \$1,837,636 to continue to support the agency's mission. The fifteen additional FTE's are: five Claims Adjusters, four Loss Prevention Specialists, two Loss Control Specialists, one Underwriter, one Return to Work Specialist, one Information Service Specialist, and one Facilities Maintenance position to be funded from the Building Operations continuing appropriations fund. Additional detail for the FTE's can be found in Attachment 2 and funding and return on investment charts for the safety and claims positions can be found in Attachment 3.

The second reduction removed funding dedicated to staff development and already provided market salary adjustments that enable WSI to retain and recruit a qualified workforce. These adjustments were recommended by HayGroup following its compensation analysis.

Even with these increases in salary and development costs, WSI's administrative costs will still remain lower than workers' compensation carriers in other states. WSI's administrative expense ratio will run approximately 15%, as compared to the industry average of 25% to 35%.

The agency's current budget request also includes a major computer system upgrade with an estimated initial investment of up to \$14 million over the next two years. The funding for the system request would be paid from the agency's excess surplus and would not be seen as an increase to an employer's premium. The primary information systems that support WSI business operations were designed and developed more than ten years ago. The cost of upgrading and maintaining these systems now outweighs their performance returns. Additionally, the increasing maintenance and weaknesses of the current technology has resulted in several audit recommendations for WSI to address its information system tools.

In closing, WSI would like to note to the Committee that the agency will be seeking an amendment to SB 2015 to specifically exempt the agency from any state employee general compensation increases. In the originally submitted Board budget of \$53,289,914, WSI had budgeted for a 3.5% & 3.5% increase to be allocated in accordance with WSI's pay-for-performance system.

Lastly, in Attachment 4 you will find an outline for each of WSI's 12 continuing appropriations as required by section 34 of 2003 Senate Bill 2015. And, in Attachment 5 you will find WSI's January 01, 2004, to January 1, 2007, contracted employee listing. Thank you again for your time today and your consideration of WSI's biennial appropriation request. At this time, I and the members of WSI's staff would be glad to answer any questions you may have regarding Senate Bill 2021.

The following benefit enhancement provisions were either passed in prior sessions or are being considered this session:

1997 Legislation

Increased weekly death benefits for surviving spouses (SB 2116)
Created the Guardian Scholarship program (SB 2116)
Established a post-retirement additional benefit (SB 2125)

1999 Legislation

Increased permanent partial impairment awards for the severely impaired (HB 1422)
Increased the maximum disability benefit from 100% to 110% of the State's Average Weekly Wage (SB 2214)
Shortened the waiting period for eligibility for cost of living adjustments from 10 years to 7 years (SB 2214)

2001 Legislation

Increased certain permanent partial impairment awards (HB 1161)

2003 Legislation

Increased lifetime cap on death benefits from \$197,000 to \$250,000 (HB 1060)
Established a \$50,000 home remodeling and vehicle adaptation allowance for catastrophic injured workers (HB 1060)
Increased the maximum amounts for scholarship awards (HB 1120)

2005 Legislation

Established additional safety incentives (HB 1125)
Established ongoing funding for safety education, grant, and incentive programs (HB 1125)
Created retraining options for injured workers (HB 1171)
Established a \$15 million injured worker educational revolving loan fund (HB 1491)
Increased the non-dependency death award (HB 1506)
Increased post-retirement additional benefit payments (SB 2351)

2007 Legislative Benefit Enhancement Proposals

Provides funds for the purchase or adaptation of motor vehicles for the catastrophically injured (HB 1038)
Provides increased post-retirement additional benefits for certain injured workers (HB 1038)
Expands the population that is eligible for death benefits (HB 1038)
Expands the eligibility pool for WSI's revolving loan fund (HB 1038)
Shortens supplementary benefit eligibility period from seven years to three years (HB 1038)
Provides inflation adjustment for long-term Temporary Partial Disability benefit recipients (HB 1140)
Provides benefits for firefighters and law enforcement officers in the event of a false positive test (SB 2042)
Increases weekly dependency allowance from \$10 to \$15 per week (SB 2072)

Attachment 2

Workforce Safety & Insurance					
2007-2009 Biennium					
FTE Request with Salary & Expenses					
Position	Department	Quantity	Biennial Impact Per EE	Total Biennial Impact	Rationale
Information Services	Information Technology	1	\$131,238.00	\$131,238.00	An additional employee will be needed to support the organization's transition from its aging core computer systems to a commercial-off-the-shelf (COTS) application. This employee will assist in the coordinated effort to provide a more robust and convenient technology solution for WSI's stakeholders.
Facilities' Maintenance	Facility Management	1	\$16,180.00	\$16,180.00	The Facilities' Maintenance position will be responsible for duties related to the upkeep of WSI's facility for all tenants. This employee primarily performs work out-of-scope of WSI's contracted cleaning staff and equipment maintenance staff who are contracted with on an "as-needed" basis. Employee currently works for WSI as a "Temporary" employee. This position would be funded from the Building Operations rent collections rather than premium dollars.
School Monitoring Specialist	Return To Work	1	\$113,986.00	\$113,986.00	One School Monitoring Specialist is requested to provide on-site services to employers and injured workers, assisting with successful coordination of return to work or stay at work options. This position would conduct the similar duties of a currently contracted position at a lower rate than the current contract price.
Underwriter	Policyholder Services	1	\$130,726.00	\$130,726.00	One additional Underwriter is requested to expedite approval of workers' compensation coverage for employers who have submitted applications. Currently, members of the Policyholder Services staff are working through a backlog. Without this increase in staff, employers requesting coverage may experience unanticipated delays.
Loss Prevention Representative	Loss Prevention	4	\$180,914.00	\$723,656.00	Four additional Loss Prevention Representatives are requested to continue to support and expand WSI's proactive safety programs. It is predicted that the addition of these positions will have a return on investment greater than their costs through reduced injuries and injury costs.

Loss Control Representative	Loss Control	2	\$135,400.00	\$270,800.00	WSI is in the process of building a Loss Control Division. These Loss Control Representatives will help develop programs designed to work with injured workers and employers to safely return the worker back to the workplace and advise employers on how to better manage their individual claim programs.
Claims Adjuster	Claims	5	\$90,210.00	\$451,050.00	During the 2006 Performance Evaluation, WSI was advised that Claims' Adjusters should allocate 10 hours for every Time Loss claim and 2 hours for every medical only claim. Based on analyzed claim volume, WSI is understaffed in its claims management area by approximately 9.12 adjusters. Based upon proactive safety programs and the implementation of a more robust IS system, WSI is requesting five additional Claims' Adjusters in order to dedicate the time needed to effectively support ND's injured workers.
Total		15		\$1,837,636.00	

Attachment 2

Workforce Safety & Insurance					
2007-2009 Biennium					
FTE Request with Salary & Expenses					
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		14		\$1,821,456.00	

**Report on Continuing Appropriations
Workforce Safety & Insurance
2007 Senate Bill 2021**

The following information outlines WSI's 12 continuing appropriation authorities.

1 – Building Construction

**Statutory Authority: 65-02-31 and Appropriations
Fund 213 – Workers Compensation Fund**

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	1,192,684	10,467,573	387,437	0	0
Total Available	1,192,684	10,467,573	387,437	0	0
Expenditures	1,192,684	10,467,573	387,437	0	0
Ending Balance	0	0	0	0	0

The 1999 Legislative Assembly authorized the purchase or construction of an office building. The 2001 Legislative Assembly amended the authorization to include office space for tenants. The office building was substantially complete in June 2003, with minor finishing work concluding in September 2003. The project was completed on time and within budget. Including the land acquisition of \$901,974, the total capitalized cost is \$11,882,030. No further expenditures will be made as this authority has now expired.

2 – Building Operations

**Statutory Authority: 65-02-05.1
Fund 213 – Workers Compensation Fund**

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	174,762	174,762
Revenues	0	0	1,256,754	890,601	1,257,000
Transfers	0	0	0	0	0
Total Available	0	0	1,256,754	1,065,363	1,431,762
Expenditures	0	0	1,081,992	893,632	1,262,000
Ending Balance	0	0	174,762	171,731	169,762

Workforce Safety & Insurance leases space in its office building, Century Center, to six other state agencies. All lease terms commenced on July 1, 2005 and expire on June 30, 2007. Initial lease rates were \$13 per square foot for office space and \$5 per square foot for storage space. Rental rates remained at the same level for the 2005-2007 biennium.

Workforce Safety & Insurance manages the day-to-day operations and maintenance of the building, such as utilities, janitorial service and grounds keeping. The largest operating expense of the building is the "payment in lieu of property tax" which was \$251,621 for the current year. This payment is made in accordance with NDCC 65-02-31.

3 – Reinsurance

Statutory Authority: 65-02-13.1

Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	2,218,000	2,484,828	0	0	0
Total Available	2,218,000	2,484,828	0	0	0
Expenditures	2,218,000	2,484,828	0	0	0
Ending Balance	0	0	0	0	0

WSI has "excess of loss" reinsurance protection for losses occurring between December 1, 1999 and November 30, 2002. In 2002, global influences such as the 9-11 attacks hardened the market and pushed the price of reinsurance to an inefficient level. As a result, WSI has not purchased reinsurance since November 30, 2002. The existing reinsurance treaties have saved the workers' compensation fund \$15 million.

4 – Other States Coverage

Statutory Authority: 65-02-13.1

Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	104,100	85,000	120,000
Transfers	22,069	234,882	318,310	296,025	300,000
Total Available	22,069	234,882	422,410	381,025	420,000
Expenditures	22,069	234,882	422,410	381,025	420,000
Ending Balance	0	0	0	0	0

WSI is the sole provider of workers' compensation coverage in North Dakota and insures employers for work related injuries. However, a North Dakota employer that operates outside of the State is required to obtain additional coverage from a licensed insurance carrier in the state of operation.

In September 2004, WSI contracted with the Accident Fund of America to provide "temporary and incidental" coverage for all states except Washington, West Virginia, Ohio and Wyoming. The premium for this coverage is available to North Dakota employers for \$600 per year. The \$600 dollars is collected and passed directly to the Accident Fund of America.

Another project that was funded through this continuing appropriation was Comp Shield Insurance Company. In 2003, pursuant to NDCC 65-02-13.1, WSI capitalized a stock company to issue policies to North Dakota employers doing business in Minnesota. No business was written with Comp Shield as a better alternative was made available to policyholders (as noted above). In December 2005, Comp Shield Insurance Company was voluntarily dissolved and the assets were transferred back to Workforce Safety & Insurance.

5 – Allocated Loss Adjustment Expenses (ALAE)

Statutory Authority: 65-02-06.1

Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	12,330,716	8,263,727	8,144,975	4,564,396	8,240,000
Total Available	12,330,716	8,263,727	8,144,975	4,564,396	8,240,000
Expenditures	12,330,716	8,263,727	8,144,975	4,564,396	8,240,000
Ending Balance	0	0	0	0	0

WSI's allocated loss adjustment expenses are charged directly to specific claims and authorized as a continuing appropriation, just like indemnity and medical benefits for injured workers. These expenses include legal fees, and cost containment expenses such as rehabilitation, return to work case management and injured worker fraud investigations.

6 – Safety Programs

Statutory Authority: 65-03-04

Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	0	0	0	1,172,795	1,700,000
Total Available	0	0	0	1,172,795	1,700,000
Expenditures	0	0	0	1,172,795	1,700,000
Ending Balance	0	0	0	0	0

The 2005 Legislative Assembly authorized a continuing appropriation for promoting safety through education, training, consultation, grants and other incentives. WSI's loss prevention employees and their related administrative expenses are not included as part of this continuing appropriation; thus the expenditures include only those items that are a direct benefit to WSI's customers and North Dakota's workforce.

In June 2005, WSI's board of directors earmarked \$35 million for multi-year safety grants, incentives, and education. WSI's new strategic plan is developing a number of new safety initiatives.

7 – Preferred Worker Program
Statutory Authority: 65-05-36
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	0	4,288	26,468	142,446	175,000
Total Available	0	4,288	26,468	142,446	175,000
Expenditures	0	4,288	26,468	142,446	175,000
Ending Balance	0	0	0	0	0

WSI established a program for injured workers who, while employable, are unable to return to the employer at the time of their injury. The preferred worker program offers benefits to North Dakota employers for hiring people under this program. For the first three years the employer is given an exemption from paying workers' compensation premium on the employee and is not responsible for any claims costs resulting from a subsequent work-related injury to that worker. This continuing appropriation funds any employment-related expenses such as equipment purchases and work-site modifications for the preferred worker.

Starting January 2005, WSI also began offering a wage reimbursement incentive for up to 50 percent of salaries and wages (not to exceed the statewide average weekly wage) paid to preferred workers for the first 180 days of employment.

8 – Performance Evaluation
Statutory Authority: 65-02-30
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	183,404	128,487	149,220	121,228	160,000
Total Available	183,404	128,487	149,220	121,228	160,000
Expenditures	183,404	128,487	149,220	121,228	160,000
Ending Balance	0	0	0	0	0

NDCC 65-02-30 requires that every two years WSI request the State Auditor's Office to engage an independent insurance expert to conduct an in-depth evaluation of the effectiveness and efficiency of WSI functions and operations.

9 – Insurance Fraud
Statutory Authority: 65-02-23
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	219,107	73,770	179,855	8,708	30,000
Total Available	219,107	73,770	179,855	8,708	30,000
Expenditures	219,107	73,770	179,855	8,708	30,000
Ending Balance	0	0	0	0	0

Workforce Safety & Insurance established a special investigations unit (SIU) in 1995. SIU works to investigate and prevent insurance fraud by employers, medical providers and injured workers. NDCC 65-02-23 authorizes a continuing appropriation for "costs associated with identifying, preventing and investigating employer and provider fraud." Injured worker fraud expenses are charged directly to the claim as allocated loss adjustment expenses.

10 – Collection Agency Fees
Statutory Authority: 54-06-29
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	1,427	385	1,000
Transfers	0	0	0	0	0
Total Available	0	0	1,427	385	1,000
Expenditures	0	0	1,427	385	1,000
Ending Balance	0	0	0	0	0

WSI maintains an internal collections unit to manage its premium receivable. From time to time, after all collection efforts have been exhausted, account balances are written off for non-payment. A few of these account balances are then turned over to external collection agencies. This continuation appropriation is addressed in OMB Fiscal and Administrative Policy 212. The dollars reported are the fees paid to collection agencies for amounts recovered.

11 – Educational Revolving Loan Fund
Statutory Authority: 65-05.1-08
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	0	0	0	0	0
Transfers	0	0	0	11,199	1,000,000
Total Available	0	0	0	11,199	1,000,000
Expenditures	0	0	0	11,199	1,000,000
Ending Balance	0	0	0	0	0

The 2005 Legislative Assembly established a revolving loan fund to provide low-interest loans to individuals that have suffered compensable work injuries. The loans must be used to pursue an education at an accredited institution of higher education or an institution of technical education. The loan program is administered by the Bank of North Dakota.

In June 2005, WSI's board of directors earmarked \$15 million for the educational revolving loan fund. WSI began marketing the loan program in August 2005.

12 – Information Fund
Statutory Authority: 65-01-13
Fund 213 – Workers Compensation Fund

	Actual 1999-2001	Actual 2001-2003	Actual 2003-2005	2005-2007 At 11/30/06	Estimated 2005-2007
Beginning Balance	0	0	0	0	0
Revenues	36,099	46,468	47,510	24,351	40,000
Transfers	(11,523)	(28,583)	(34,838)	(18,062)	(20,000)
Total Available	24,576	17,885	12,671	6,289	20,000
Expenditures	24,576	17,885	12,671	6,289	20,000
Ending Balance	0	0	0	0	0

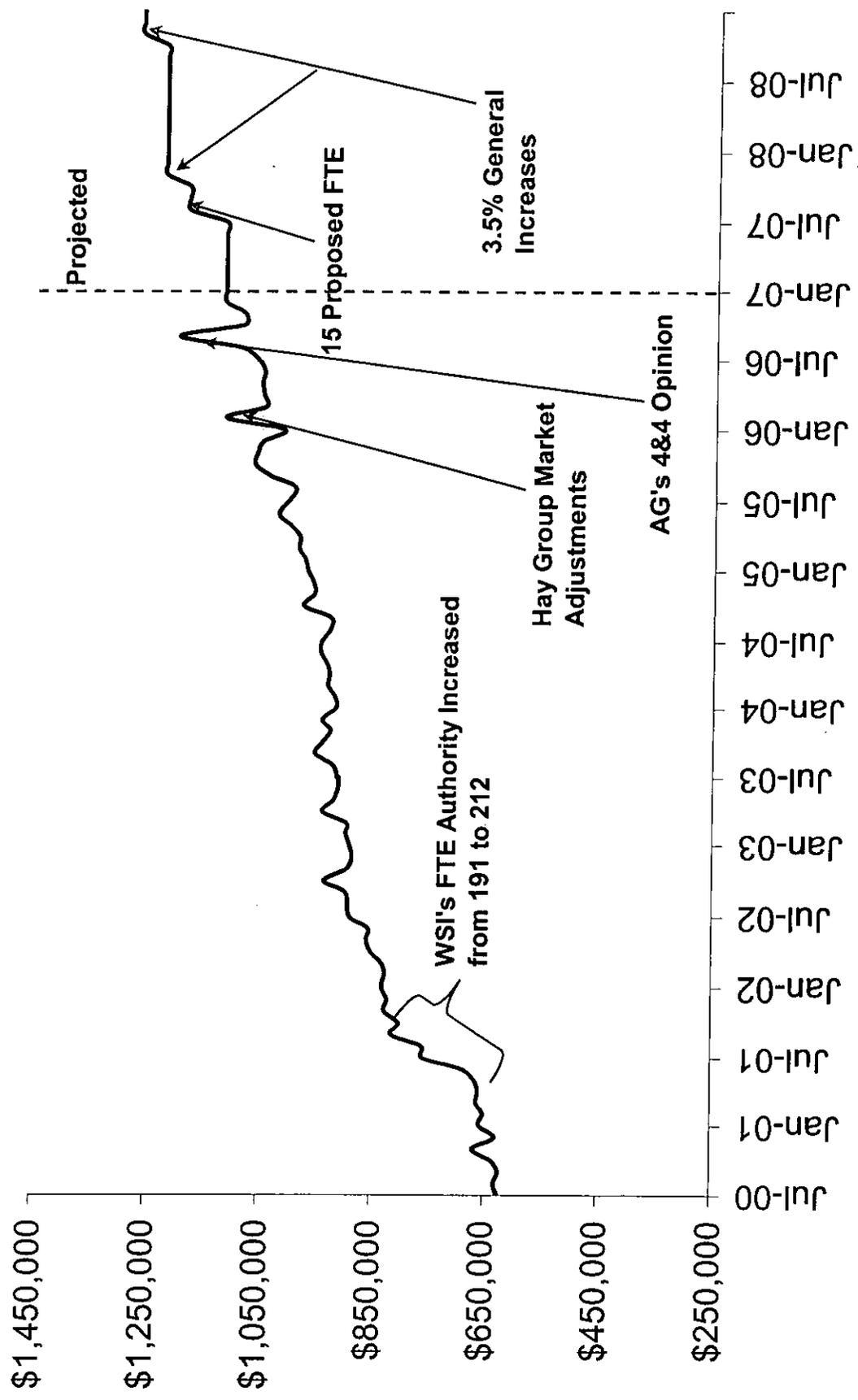
Pursuant to NDCC 65-01-13, the information fund was established to recapture some of the costs of providing publications and statistical information to private citizens, businesses, associations, corporations and limited liability companies. Direct costs of operating the information fund are expensed as incurred, such as publication printing costs and file storage and file retrieval fees. Indirect costs, such as employee wages, are not specifically allocated to this fund. Fees collected for publications and other information requests are deposited into this fund.

NDCC 65-01-13 states that "if on the first day of July in any year the amount of money in the information fund is more than ten thousand dollars, the amount in excess of ten thousand dollars must be transferred to the organization's general fund." Since a separate fund was not established by OMB, all activity is being recorded directly in WSI's administrative fund 213.

**Workforce Safety & Insurance
January 01, 2004 to January 1, 2007
Contracted Employees**

Vendor	Purpose	TOTAL
Enterprise Solutions, Inc (ESI)	Assist with ITTP & LMS implementation	\$ 110,252.00
ITD Data Processing	consultation/IT Consult-development	\$ 28,475.50
Bauer Investigations	Investigations Contract	\$ 10,533.26
Cleveland Investigations	Investigations Contract	\$ 53,323.87
Ed Gruchalla Investigations	Investigations Contract	\$ 17,830.41
Evans Investigations	Investigations Contract	\$ 143,104.28
Hall Investigations	Investigations Contract	\$ 5,220.03
Helfrich Investigations	Investigations Contract	\$ 5,863.31
Hellekson Investigations/Spencer	Investigations Contract	\$ 226,016.48
Hons Investigations	Investigations Contract	\$ 30,109.58
Insight Investigations, LLP	Investigations Contract	\$ 7,867.55
Investigations 251	Investigations Contract	\$ 49,338.45
JLW Associates/Wilson Headrick	Investigations Contract	\$ 28,352.67
Johnson & Johnson Investigations	Investigations Contract	\$ 43,520.59
Polarstar Investigations	Investigations Contract	\$ 3,029.99
Quality Investigations & Recovery Service	Investigations Contract	\$ 130,553.32
RG Olson Investigator/Lazy RC	Investigations Contract	\$ 34,900.67
Rollie Port Investigator	Investigations Contract	\$ 489,735.29
RoughRider Legal Support Services	Investigations Contract	\$ 14,647.32
Shilo Investigations Inc	Investigations Contract	\$ 253,593.92
Stakeout Inc/David Lybeck	Investigations Contract	\$ 29,333.58
Zander, Jodi	Loan of Transcription equip.	\$ 318.00
Dr Robert Cooper	Medical Consultant	\$ 465,255.11
Joyce, Brendan	Pharmacy Consultant	\$ 15,875.02
Peterson, Greg MD	Medical Consultant	\$ 206,318.81
Wolff, Terry	Medical Consultant	\$ 28,775.67
Support Systems (Chuck Kocher)	Ombudsman Service (Quality Assurance)	\$ 39,952.50
Command Labor	Receptionist	\$ 5,379.84
Command Labor	Scanning	\$ 29,326.47
Command Labor	Help Desk	\$ 15,287.98
Command Labor	Data Entry	\$ 22,805.21
Command Labor	Admin Assist	\$ 8,804.65
Command Labor	Audit Clerk	\$ 289.13
Command Labor	Finance Clerk	\$ 1,238.06
Kelly Temporary Services	Temporary Employment	\$ 11,400.34
Total Payments Made		<u>\$ 2,566,628.86</u>

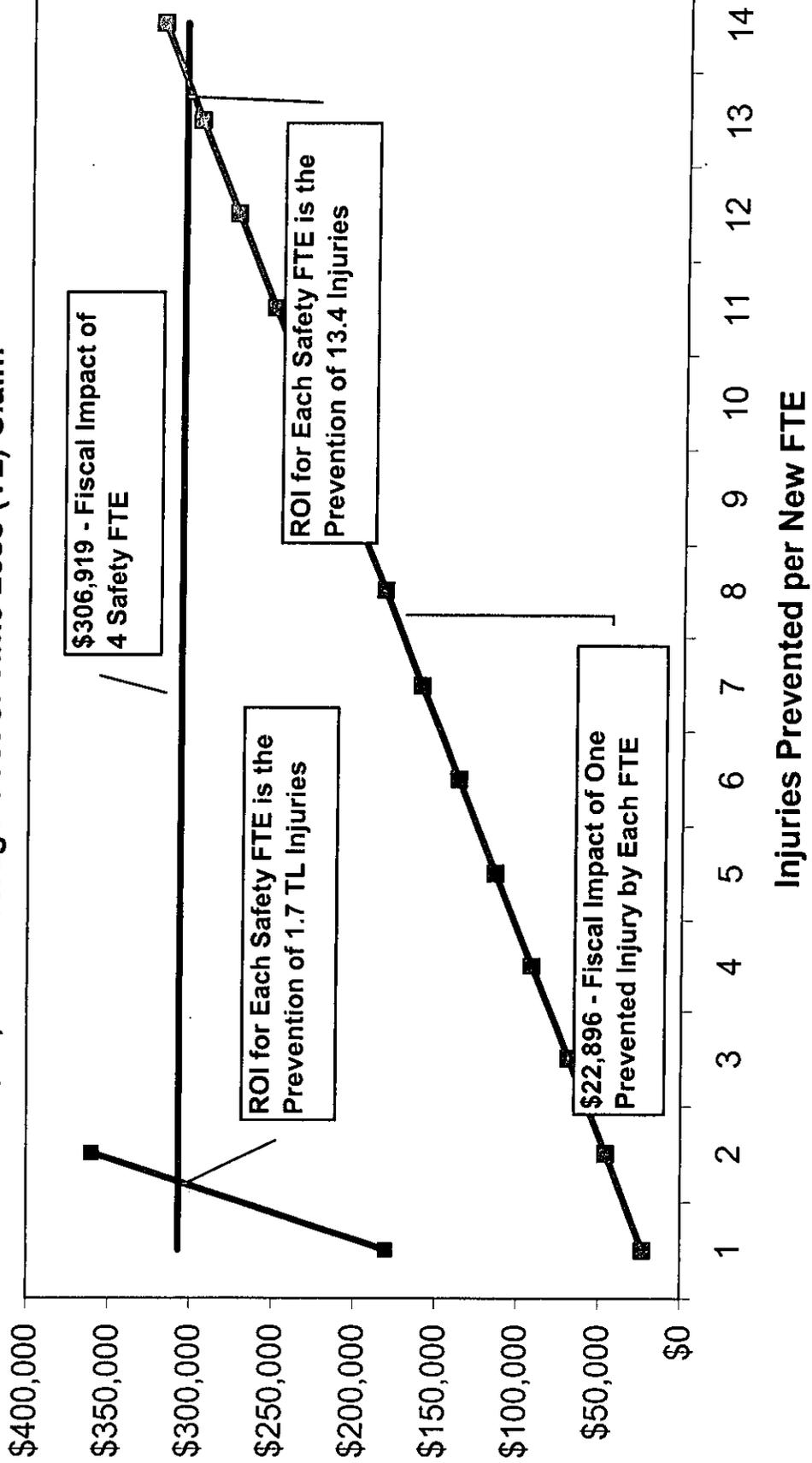
WSI Payroll by Month



Safety FTE Return on Investment (ROI)

\$5,724 - Average Cost of Claim

\$45,000 - Average Cost of Time Loss (TL) Claim



\$306,919 - Fiscal Impact of 4 Safety FTE

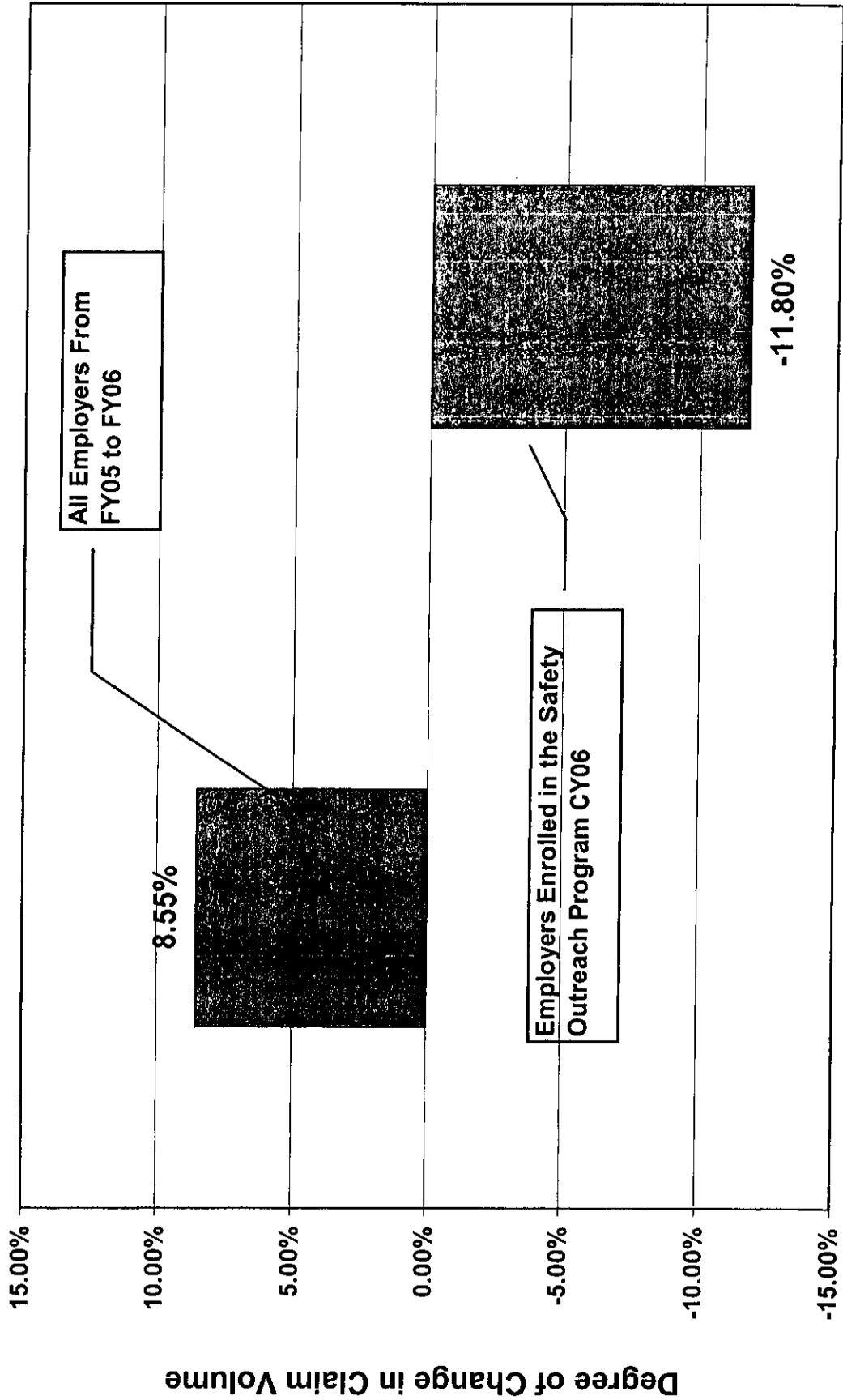
ROI for Each Safety FTE is the Prevention of 1.7 TL Injuries

ROI for Each Safety FTE is the Prevention of 13.4 Injuries

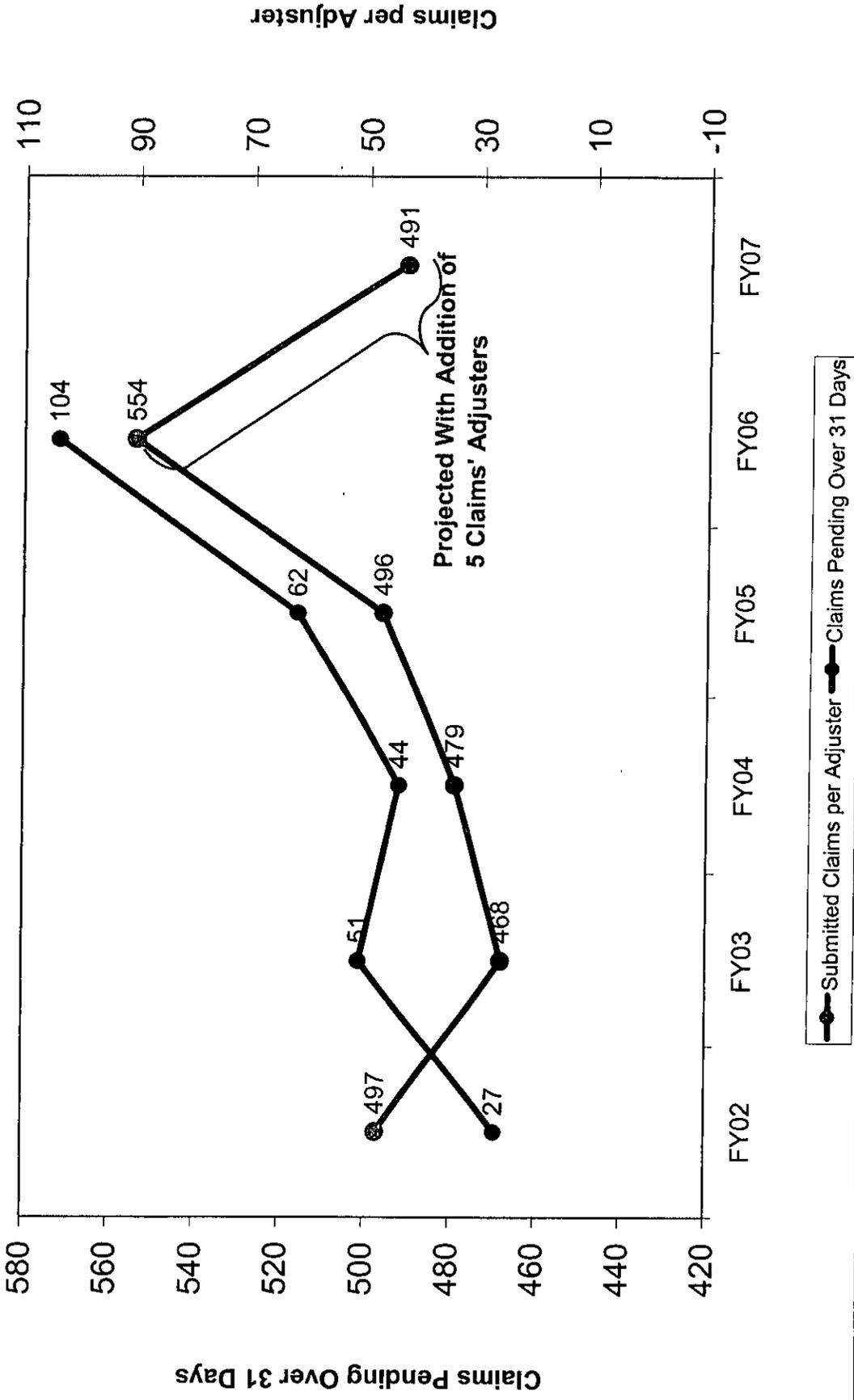
\$22,896 - Fiscal Impact of One Prevented Injury by Each FTE

— Fiscal Impact of 4 Safety FTE ■ Injuries Prevented per FTE ■ TL Injuries Prevented per FTE

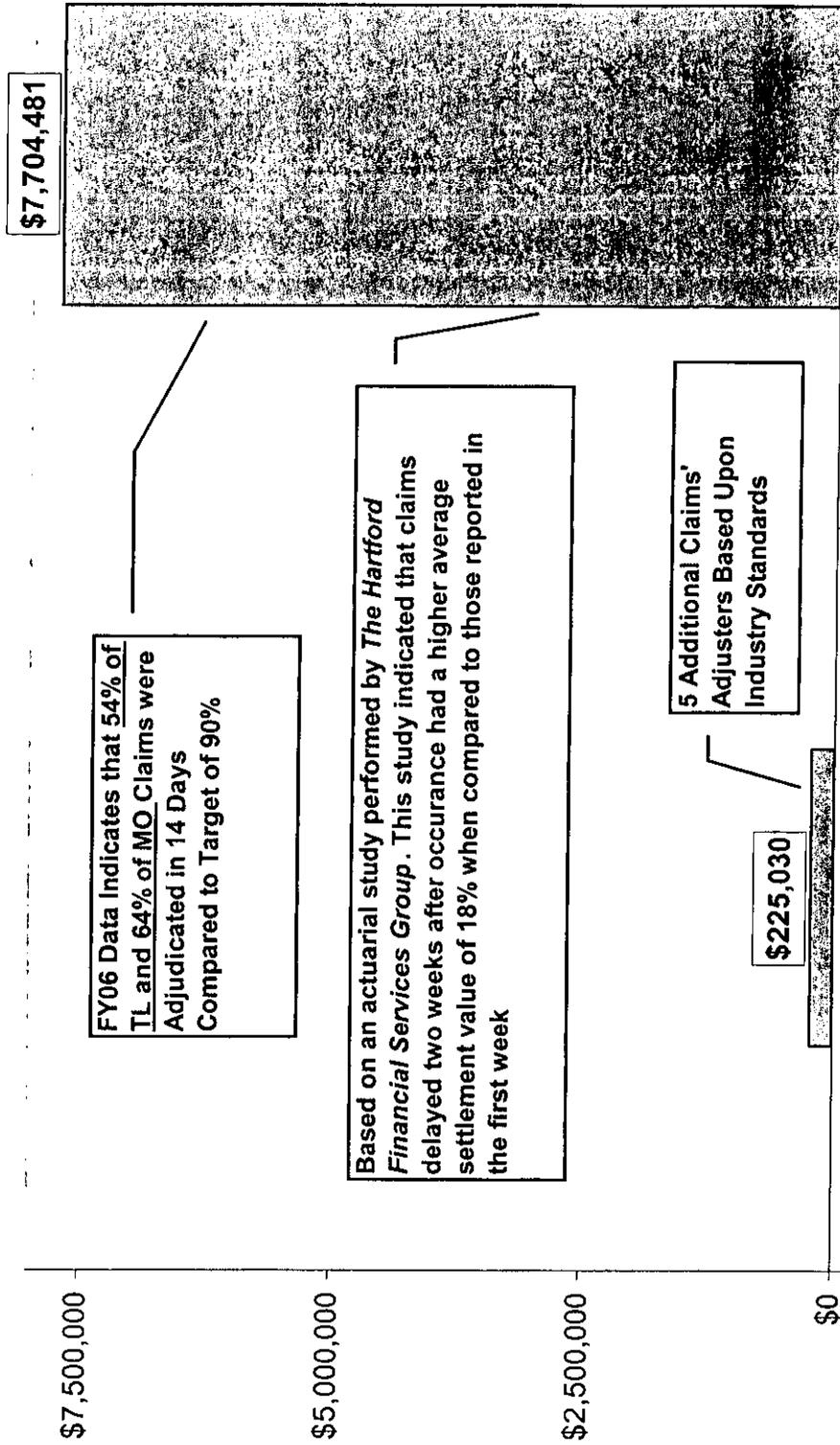
Impact of Proactive Safety Programs



Claims Load



Claims' Adjuster Payback Based upon Ability to Adjudicate 90% of Claims Within 14 Days Compared with FY06 Adjudication Levels (Annual Impact)



FY06 Data Indicates that 54% of TL and 64% of MO Claims were Adjudicated in 14 Days Compared to Target of 90%

Based on an actuarial study performed by *The Hartford Financial Services Group*. This study indicated that claims delayed two weeks after occurrence had a higher average settlement value of 18% when compared to those reported in the first week

5 Additional Claims' Adjusters Based Upon Industry Standards

Fiscal Impact of Claims' Adjuster Fiscal Impact of Timely Decisions

**Workforce Safety & Insurance
2007-2009 Biennium Budget Proposal
WSI Board Approved Compared to Executive Recommendation**

	2005-07 Appropriation As Adjusted	2007-09 Investment in IT Plan	2007-09 Add 15 FTE's	2007-09 Professional Development, Pay-for- Performance Increases & Compensation Decompression	Variance From Request	TOTAL 2007-09 Appropriation Requested as Approved by WSI's Board of Directors (Green Columns)	TOTAL 2007-09 Executive Approval (Green Columns Less Yellow Columns)
Existing FTE's	223,140	0.000	0.000		0.000	223,140	223,140
New FTE's	0.000	0.000	15.000		(15,000)	15,000	0.000
Total FTE	223,140	0.000	15.000		(15,000)	238,140	223,140
Payroll Expenses							
Salaries and Wages	\$20,096,154		\$1,211,484	\$3,039,807	(\$3,204,833)	\$24,347,445	\$21,142,612
Fringe Benefits	\$6,146,498		\$409,039	\$660,873	\$407,620	\$7,216,410	\$7,624,030
Payroll Expenses Subtotal	\$26,242,652	\$0	\$1,620,523	\$3,700,680	(\$2,797,213)	\$31,563,855	\$28,766,642
Operating Expenses							
Travel	\$545,732	\$0	\$133,160	\$198,998	\$0	\$877,890	\$877,890
IT Software & Supplies	\$881,064	\$2,381,000	\$0	(\$53,156)	\$0	\$3,208,906	\$3,208,906
Professional Supplies	\$105,758	\$0	\$0	\$219,570	\$0	\$325,328	\$325,328
Miscellaneous & Office Supplies	\$159,706	\$0	\$1,600	\$9,114	\$153,217	\$170,420	\$323,637
Postage and Delivery Supplies	\$531,120	\$0	\$0	\$9,250	\$0	\$540,370	\$540,370
Printing	\$223,398	\$0	\$0	(\$47,798)	\$0	\$175,600	\$175,600
IT Computers & Equipment	\$260,000	\$775,000	\$17,050	(\$53,800)	\$0	\$998,250	\$998,250
Lease/Rent Equipment & Building	\$767,296	\$0	\$0	(\$3,899)	\$0	\$763,397	\$763,397
IT Data Processing	\$568,000	\$0	\$0	\$80,000	\$0	\$648,000	\$648,000
Telephone	\$370,924	\$0	\$10,080	\$119,872	\$0	\$500,876	\$500,876
IT Professional & Contractual Services	\$885,000	\$9,131,640	\$0	(\$719,690)	\$0	\$9,296,950	\$9,296,950
Professional Development	\$468,738	\$933,960	\$55,223	\$696,891	(\$624,927)	\$2,154,812	\$1,529,885
Operating Fees, Services & Repairs	\$343,160	\$0	\$0	\$21,220	\$0	\$364,380	\$364,380
Professional Services	\$1,144,453	\$778,400	\$0	(\$234,973)	\$0	\$1,687,880	\$1,687,880
Operating Expenses Subtotal	\$7,254,349	\$14,000,000	\$217,113	\$241,597	(\$471,710)	\$21,713,059	\$21,241,349
Capital Assets	\$26,000		\$0	(\$13,000)	\$0	\$13,000	\$13,000
Budget Appropriation Totals	\$33,523,001	\$14,000,000	\$1,837,636	\$3,929,277	(\$3,268,923)	\$53,289,914	\$50,020,991

**Workforce Safety & Insurance
2005-06 Quick Facts**

Sub 7

Category	1999	2000	2001	2002	2003	2004	2005	2006
Employer accounts	22,108	22,659	20,142	20,006	19,781	19,672	19,586	19,756
Earned premiums (\$millions)	\$112.4	\$112.1	\$99.0	\$93.1	\$89.6	\$96.8	\$108.4	\$121.6
Fund surplus, with 5% discount on liabilities (\$millions)	\$206.3	\$332.9	\$332.6	\$341.1	\$337.4	\$403.7	\$469.2	\$501.3
Restricted surplus, based on 2005 legislation (\$millions)	\$206.3	\$217.2	\$224.4	\$218.3	\$252.0	\$263.7	\$272.2	\$274.7
Declared Premium Dividends (\$millions)	\$0.0	\$0.0	\$12.0	\$12.0	\$0.0	\$0.0	\$46.0	\$54.0
Investments (\$millions)	\$776	\$900	\$925	\$907	\$980	\$1,078	\$1,169	\$1,201
Investment returns	7.4%	12.2%	1.4%	-1.7%	9.0%	9.6%	7.3%	3.5%
Covered workforce	292,868	296,663	299,714	301,913	301,777	304,287	311,200	318,240
Medical-only claims filed	17,194	17,399	17,727	17,396	16,311	16,722	17,424	19,268
Wage-loss claims filed	2,840	2,646	2,593	2,554	2,442	2,462	2,463	2,320
Total claims filed	20,034	20,045	20,320	19,950	18,753	19,184	19,887	21,588
Total claims filed per 100 Covered Workers	6.84	6.76	6.78	6.61	6.21	6.30	6.39	6.78
Wage-loss claims filed per 100 Covered Workers	0.97	0.89	0.87	0.85	0.81	0.81	0.79	0.73
General Administrative and ULAE Expenses (\$millions)	\$11.8	\$11.5	\$13.0	\$13.9	\$17.1	\$15.4	\$16.7	\$17.4
General Administrative Expense and ULAE Ratio	10.5%	10.3%	13.1%	14.9%	19.1%	15.9%	15.4%	14.3%
Indemnity benefits paid (\$millions)	\$31.6	\$32.2	\$34.1	\$33.6	\$34.8	\$35.6	\$36.9	\$37.0
Medical benefits paid (\$millions)	\$27.8	\$32.7	\$36.5	\$37.9	\$40.3	\$45.7	\$47.8	\$42.4
Allocated Loss Adjustment Expense (ALAE) paid (\$millions)	\$8.2	\$6.5	\$5.9	\$3.9	\$4.2	\$4.3	\$3.8	\$3.3
Total paid benefits (\$millions)	\$67.6	\$71.4	\$76.5	\$75.4	\$79.3	\$85.6	\$88.5	\$82.7
Maximum weekly wage-loss benefit	\$417	\$480	\$497	\$516	\$537	\$555	\$577	\$624
Minimum weekly wage-loss benefit	\$251	\$262	\$271	\$282	\$293	\$303	\$315	\$341
Claims accepted/denied within 14 days	na	67%	72%	74%	74%	75%	72%	63%
Claims Reported within 14 days	na	na	na	na	68%	72%	75%	83%
Callers' average time on hold (seconds)	17	22	26	20	20	22	29	27
Litigation requests	325	226	183	209	201	170	224	209
Injured Worker Independent Customer Satisfaction Survey (1 to 5 scale)	4.09	4.29	4.18	4.34	4.37	4.38	4.35	4.38
Employer Independent Customer Satisfaction Survey (1 to 5 scale)	na	na	na	4.14	4.17	4.21	4.20	4.21
WSI employee turnover rate	9%	15%	10%	10%	5%	7%	8%	12%

Sub 7

Sub ① 2nd meeting



**Service Contract
Supervisor Development Workshops**

The parties to this contract are the State of North Dakota, acting through its Workforce Safety & Insurance (STATE) and Prevention Plus, Inc (CONTRACTOR);

1. SCOPE OF SERVICE

CONTRACTOR, in exchange for the compensation paid by STATE under this contract, agrees to provide the following services: Full Day Supervisor Development Workshops at the locations identified below:

January 16 & 17, 2007
Fargo, ND
Best Western Doublewood

February 22, 2006
Minot, ND
Grand International

March 7, 2007
Grand Forks, ND
Holiday Inn

March 8, 2007
Devils Lake
Lake Region State College

March 20, 2007
Dickinson, ND
Days Inn

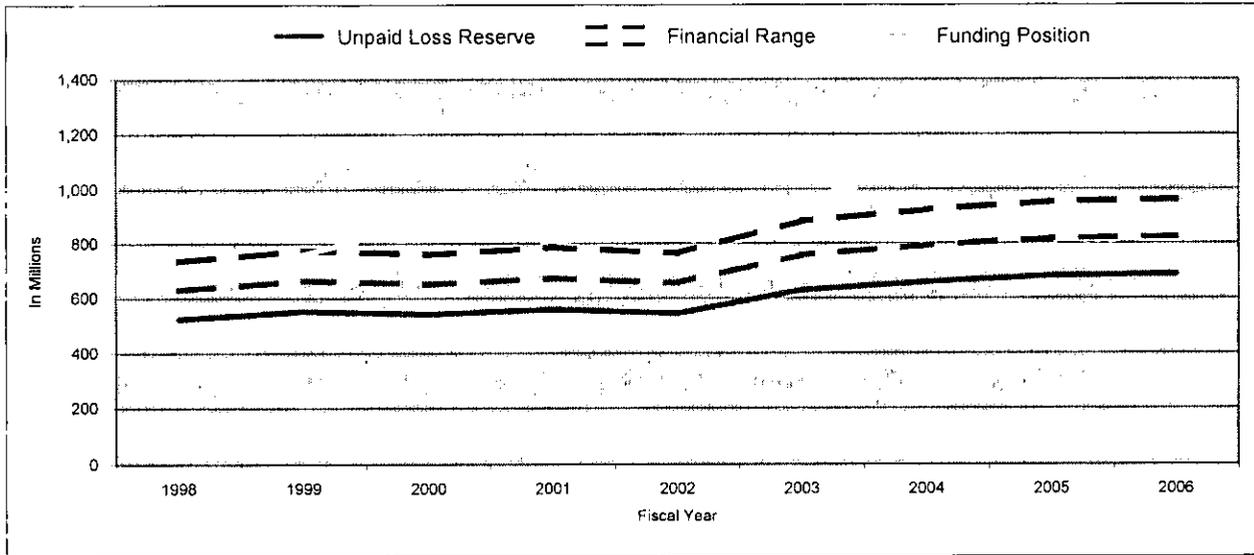
March 21, 2007
Williston, ND
Bethel Lutheran Home

April 4 & 5, 2007
Bismarck, ND
Best Western Seven Seas

April 18, 2007
Jamestown, ND
Gladstone Inn & Suites

Sub
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2-6-07

Workforce Safety & Insurance
Financial Reserves and Surplus
Including Estimate of Position as of June 2006



CALCULATION (in 000's)	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unpaid Loss Reserve, discounted at 5%	525,700	553,700	543,000	561,000	545,700	630,100	659,200	680,400	686,800
Total Fund Surplus	142,319	206,274	332,942	332,632	341,073	337,396	403,652	469,150	501,316
Total Financial Reserves and Surplus	668,019	759,974	875,942	893,632	886,773	967,496	1,062,852	1,149,550	1,188,116
High End of Range (140% of liability)	735,980	775,180	760,200	785,400	763,980	882,140	922,880	952,560	961,520
Low End of Range (120% of liability)	630,840	664,440	651,600	673,200	654,840	756,120	791,040	816,480	824,160
Total Financial Reserves and Surplus	668,019	759,974	875,942	893,632	886,773	967,496	1,062,852	1,149,550	1,188,116
Unpaid Loss Reserve, discounted at 5%	525,700	553,700	543,000	561,000	545,700	630,100	659,200	680,400	686,800
Funding Ratio	127.1%	137.3%	161.3%	159.3%	162.5%	153.5%	161.2%	169.0%	173.0%

The 2005 Legislative Assembly established a minimum and maximum financial range for Workforce Safety & Insurance. The WSI board of directors has earmarked surplus as detailed to the right.

WSI's unpaid loss liability is estimated annually by an independent actuary. The actuarial computations include a 5% discount in order to report this liability at its estimated present value.

These are estimates only. Markets change daily. Not a prediction of the future.

Amount Above Range (in 000's)	226,596
Unrealized Investment Gains, estimate	(32,800)
Remaining Premium Dividends from FY 2006, estimate	(15,000)
Safety Education, Grants & Incentives	(34,000)
Student Loans	(14,989)
40% Premium Dividend for FY 2007, estimate	(54,000)
Investment in IT Plan for 2007-09 Biennium, estimate	(14,000)
Total Earmarked Surplus	(164,789)
Available Surplus	61,807

Workforce Safety & Insurance Appropriations Bill—SB 2021

Section 1-3	Total Requested Appropriation FY 07-09	\$53,273,732
•	Prior Biennial Appropriation	\$33,523,000
•	Major IT Replacement Project	\$14,000,000
	▪ (Replacing systems that are 10 years old)	
•	14 New FTE's	\$ 1,821,456
	▪ (5 Claims Adjustors, 6 in Loss Control & Loss Prevention, 1 Underwriter, 1 in Return to Work Dept and 1 in IS)	
•	Salary & Operating Expense, and Increases in Employee Training	\$ 3,329,276
•	Equity Increases	\$ 600,000
	▪ Total	\$53,273,732

Section 4 State Employee Compensation Adjustment

- Excludes WSI from State's general fund salary increases contained in 2007 SB 2189 and allows WSI to utilize its own merit and pay for performance system (authorized in NDCC 65-02-01.2).
- Eliminates confusion caused in prior biennium with 2005 HB 1050.
- Within this appropriation bill are funds to provide 3.5% & 3.5% merit-based increases to WSI employees.

Section 5 Performance Audit Recommendation Reporting

- Requires periodic reports to the Budget Section regarding implementation status of performance audit recommendations.

Proposed Amendments:

Enhanced Spending Authority

- Provides WSI up to \$60,000 per biennium for purchases of awards or incentive items for employment related activities, including employee training sessions and ongoing education or training for public officials.
- Further clarifies the types of purchases WSI can make as a promotional agency.
- Requires these types of expenses to be specifically categorized for reporting purposes.

Occupational Health & Preventative Medicine

- Creates a Continuing Appropriation to establish programs designed for enhancing occupational health and preventative medicine in North Dakota.
- Intent would be to provide educational incentives for physicians or medical students to train or get certified in these specialties that agree to practice in the state for an extended period of time.

**Workforce Safety & Insurance
2007-2009 Biennium Budget Proposal
WSI Board Approved Recommendation**

	2005-07 Appropriation As Adjusted	2007-09 Investment in IT Plan	2007-09 Add 14 FTE's	2007-09 Professional Development, Pay-for- Performance Increases & Compensation Decompression	TOTAL 2007-09 Appropriation Request as Approved by WSI's Board of Directors
Existing FTE's	223,140	0.000	0.000		223,140
New FTE's	0.000	0.000	14,000		14,000
Total FTE	223,140	0.000	14,000		237,140
Payroll Expenses					
Salaries and Wages	\$20,096,154		\$1,195,304	\$3,039,807	\$24,331,265
Fringe Benefits	\$6,146,498		\$409,039	\$660,873	\$7,216,410
Payroll Expenses Subtotal	\$26,242,652	\$0	\$1,604,343	\$3,700,680	\$31,547,675
Operating Expenses					
Travel	\$545,732	\$0	\$133,160	\$198,998	\$877,890
IT Software & Supplies	\$881,064	\$2,381,000	\$0	(\$53,158)	\$3,208,906
Professional Supplies	\$105,758	\$0	\$0	\$219,570	\$325,328
Miscellaneous & Office Supplies	\$159,706	\$0	\$1,600	\$9,114	\$170,420
Postage and Delivery Supplies	\$531,120	\$0	\$0	\$9,250	\$540,370
Printing	\$223,398	\$0	\$0	(\$47,798)	\$175,600
IT Computers & Equipment	\$260,000	\$775,000	\$17,050	(\$53,800)	\$998,250
Lease/Rent Equipment & Building	\$767,296	\$0	\$0	(\$3,899)	\$763,397
IT Data Processing	\$568,000	\$0	\$0	\$80,000	\$648,000
Telephone	\$370,924	\$0	\$10,080	\$119,872	\$500,876
IT Professional & Contractual Services	\$885,000	\$9,131,640	\$0	(\$719,690)	\$9,296,950
Professional Development	\$468,738	\$933,960	\$55,223	\$696,891	\$2,154,812
Operating Fees, Services & Repairs	\$343,160	\$0	\$0	\$21,220	\$364,380
Professional Services	\$1,144,453	\$778,400	\$0	(\$234,973)	\$1,687,880
Operating Expenses Subtotal	\$7,254,349	\$14,000,000	\$217,113	\$241,597	\$21,713,059
Capital Assets	\$26,000		\$0	(\$13,000)	\$13,000
Budget Appropriation Totals	\$33,523,001	\$14,000,000	\$1,821,456	\$3,929,277	\$53,273,734

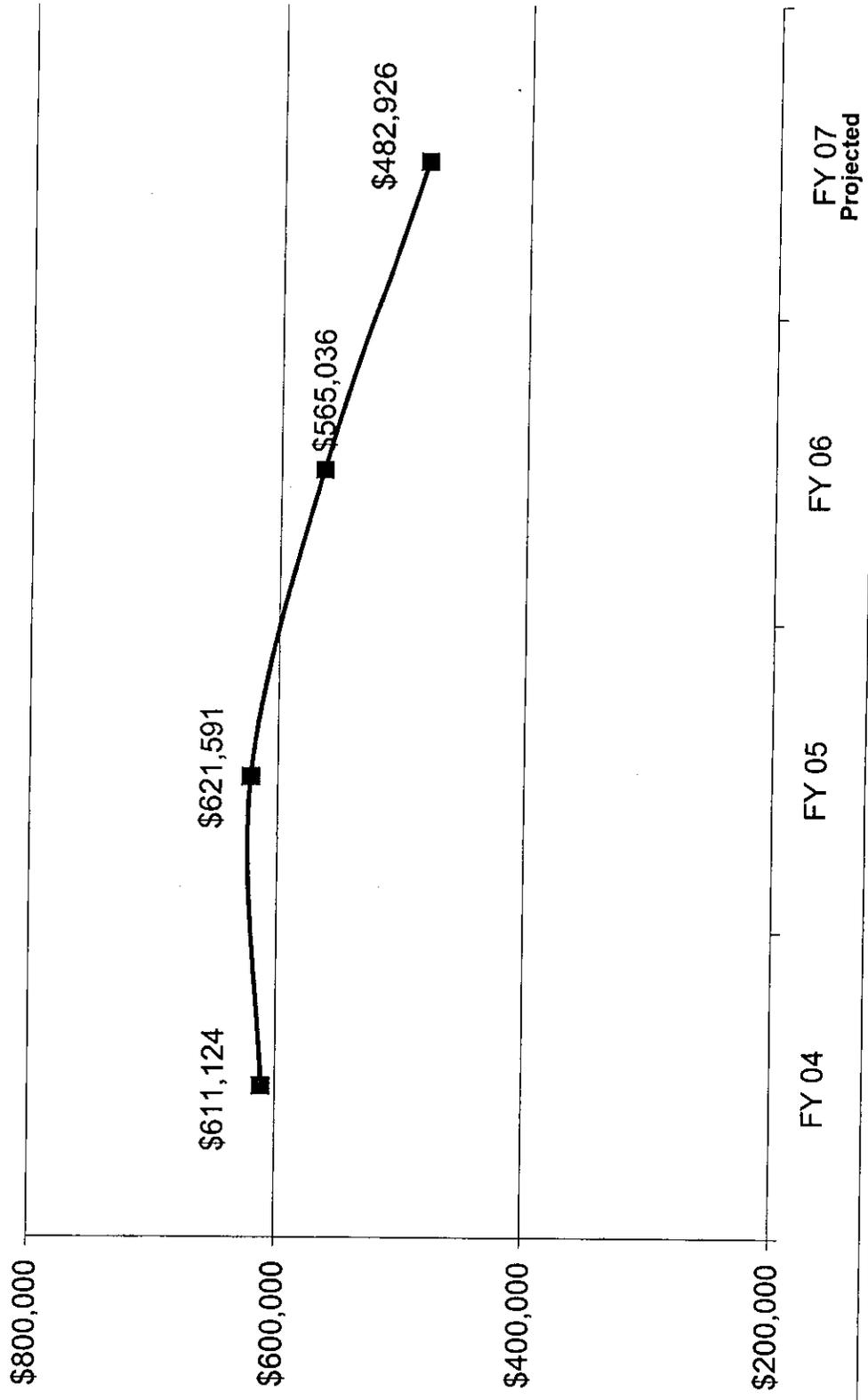
WSI Legal Fees and Costs - Injured Worker Litigation

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
1 Injured Worker Atty Fees and Costs	1,075,683	687,543	644,544	689,200	407,166	239,942	227,731	224,092	163,906	157,591
2 # of Attorney Firms Paid*	50	25	26	21	17	15	12	13	11	12
3 WSI Counsel Fees and Costs	1,299,013	1,128,950	1,114,710	938,759	566,318	490,097	607,651	609,914	662,625	588,836
Total	2,374,696	1,816,493	1,759,254	1,627,959	973,484	730,039	835,382	834,006	826,531	746,427

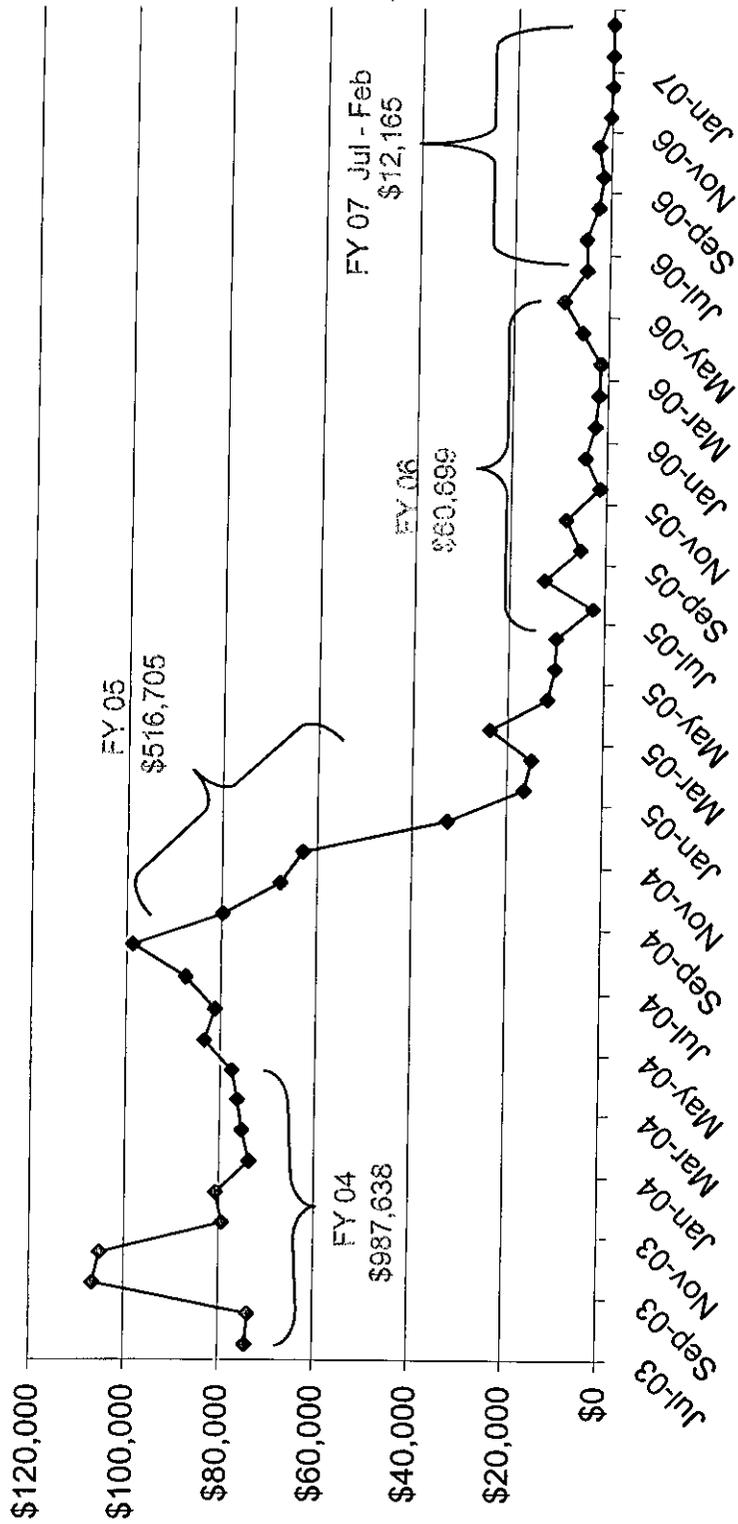
*Source: attorney fee reports (068, 070, 085)

Position	Department	Quantity	Rationale
Claims' Adjuster	<i>Claims</i>	5	During the 2006 Performance Evaluation, WSI was advised that Claims' Adjusters should allocate 10 hours for every Time Loss claim and 2 hours for every Medical Only claim. Based on analyzed claim volume, WSI is short approximately 9.12 adjusters. In addition, WSI's Claims' Adjusters are experiencing a higher level of workload. The rate of claims-per-adjuster has increased 18% since FY03. This increase in claims that require adjudication per FTE has contributed to increased employee stress and the average amount of claims pending 31 days from 51 to 104 (104% increase) over the same period of time. WSI is only asking for 5 additional Claims' Adjuster due to anticipated streamlining that will be created from upgraded technical resources for these adjusters.
Loss Prevention Representative	<i>Loss Prevention</i>	4	4 additional Loss Prevention Representative are needed to support WSI's proactive safety programs. Based upon an actuarial study the average lifetime cost of a Time Loss Claim is approximately \$45,000. Consequently, each of these new Safety Professionals would only have to prevent 1.7 of these Time Loss Claims annually to recoup the investment in associated expenses. It is predicted that the addition of these 4 position could reduce injuries by as much as 10% which would almost immediately provide a return-on-investment.
Loss Control Representative	<i>Loss Control</i>	2	WSI is in the process of building a robust Loss Control Division. These Loss Control Representatives will help develop programs designed to reduce the cost of claims when they do occur through the development of effective return-to-work and other cost-containment initiatives.
Underwriter	<i>Policyholder Services</i>	1	WSI's Policyholder Services division requires an additional Underwriter to assist in the processing of submitted policy applications. Currently, members of the Policyholder Services staff are working through a backlog. Without this increase in staff, employers requesting coverage may experience unanticipated delays.
School Monitoring Specialist	<i>Return to Work</i>	1	One School Monitoring Specialist is needed to provide meaningful interaction and mentoring of injured workers who engage in career development through advanced education. This employee will monitor the injured worker's educational progress and provide assistance as needed. These services are currently provided on a part-time basis through a subcontracted vendor. WSI would like to add an FTE to provide these services by an employee working full-time. Hour-for-hour a full-time FTE would cost less than the contracted services.
Information Services Specialist	<i>Information Technology</i>	1	This employee will be responsible for ensuring approved IT architectural designs are met and ensure that all required system related documents are complete and placed under configuration control. This employee will also evaluate system designs, interfaces, and other technical details to ensure conformity with the overall planned system architecture.

WORKFORCE SAFETY & INSURANCE LEGAL CONTRACT COST



WORKFORCE SAFETY & INSURANCE INVESTIGATION CONTRACT COST



Handout # 2

John Hoeven
Governor

Lisa K. Fair McEvers
Commissioner



SB 2021
Feb. 23, 2007

State Capitol - 13th Floor
600 E Boulevard Ave Dept 406
Bismarck, ND 58505-0340

nd.gov/labor
nd.gov/humanrights

Testimony on SB 2021
Prepared for the
Education and Environmental Division of Appropriations Committee

February 23, 2007

Chairman Wald and members of the Appropriations Committee, I am Lisa Fair McEvers, Commissioner of Labor. My position on SB 2021 is neutral.

Section 4 of SB 2021 reflects an appropriation to the labor commissioner of \$1,072,319 for the purpose of implementing SB 2292, which would transfer the Office of Independent Review (OIR) from Workforce Safety and Insurance (WSI) to the Department of Labor. This amount is based on a fiscal note submitted by the Department of Labor on SB 2292. The Department of Labor's position on SB 2292 is also neutral. However, there are a few things I'd like you to consider in regard to this appropriation bill and SB 2292.

First, the fiscal note for SB 2292 is based on the premise that OIR currently has 4 FTEs. When I prepared the fiscal note, WSI provided me with a copy of its current operating budget for OIR, which included the salaries and benefits for 4 FTEs and operating expenses. It is my understanding, that in addition to these 4 FTEs, there are an additional 1 ½ temporary employees working at OIR. The temporary employees were not included in the fiscal note because I was unaware of them. If these temporary employees are necessary long term to the operations of OIR, the appropriation should be amended to reflect the cost of the temporary employees.

Second, the fiscal note also contemplated adding an attorney to the staff of OIR. My understanding is that the intent of SB 2292 is to make OIR truly independent of WSI. The OIR is currently receiving its legal advice from attorneys at WSI, making an outside attorney necessary if true independence is to be achieved.

I would ask you to consider another option to budgeting for an FTE (to hire an attorney) which I believe could result in a cost savings to the state and a greater degree of independence for OIR. I suggest that instead of budgeting for an attorney under salary and wages, the funds designated for the attorney be put in a special line to pay for outside counsel from a private attorney. Since it is not yet clear whether a full time attorney would be necessary to advise the staff of OIR, this would provide the flexibility to pay for private attorneys whose advice would be completely independent of WSI. If it becomes apparent that it would be more cost effective to hire an attorney due to the volume of work, the funds would still be available for this purpose.

Your consideration of my concerns is appreciated.

2007 Engrossed Senate Bill 2021
Testimony before the House Appropriations Education & Environment Committee
Presented by Sandy Blunt, Executive Director/CEO
Workforce Safety and Insurance
February 23, 2007

Mr. Chairman and Members of the Committee:

Good morning. My name is Sandy Blunt and I am the Executive Director and CEO of Workforce Safety and Insurance (WSI). I am here to testify in support of WSI's biennial appropriations bill –Engrossed SB 2021. On behalf of WSI's Board of Directors and dedicated workforce, I would like to thank the Chairman and the members of the Committee for providing the agency the opportunity to testify today.

As you know, WSI is the sole provider of workers' compensation insurance in the State of North Dakota. WSI was established in 1919 with the purpose of providing wage and medical benefits to workers injured or killed during the course of their employment. Our charge remains unchanged today.

WSI is not a general fund agency and therefore receives no tax dollars. Instead, WSI collects premiums which provide for the payment of medical and wage benefits as well as administrative costs.

Legislative and operational reforms over the past decade have resulted in a better, more stable, and financially strong workers' compensation system. Consequently, because of legislative and stakeholder support, it has been possible for WSI and its Board of Directors to provide expanded benefits, commit \$35 million to matching safety grants, commit \$15 million to low-interest loans, and declare two 40% premium dividend credits. It is estimated that in the last two years \$150 million has been committed back to North Dakota's economy and workforce.

This has all been done while continuing to work to establish a competitive and stable premium structure. For the third time in a row, the Oregon Department of Consumer and Business Services has cited North Dakota as having the lowest workers' compensation premium rates in the nation. However, the agency is focused on more than just affordable premium rates. If the system is not adequately providing for the workforce of North Dakota when they are hurt on the job, then the system is failing its commitment to the citizens of North Dakota. The National Academy of Social Insurance ranked North Dakota twenty-sixth in the nation for benefits paid to injured workers.

Additionally, processing times for claims have been significantly improved, litigation rates have been dramatically reduced, and the state's legislative members have consistently improved the benefit structure for injured workers each and every session since the Board's creation in 1997 (Attachment 1). These combined efforts have provided for a benefit structure with fewer ambiguities, a commitment to promptly serve our customers, and a focus on increased benefits for the most severely injured.

Most importantly, strategic partnerships with North Dakota's employers and employees have led to fewer severe injuries than we have seen in the past. This is a great outcome for the families of North Dakota's workers. However, until we see zero injuries, there is still much work to do. In order to remain as one of the nation's premier systems, workplace safety must continue to be a top investment and priority because the best injury is the one that never happened.

WSI is committed to delivering the services and advancements to North Dakota's workforce that they expect and deserve. And the organization feels that the budget presented today continues to provide the necessary resources to not only sustain these positive results, but also ensure WSI continues to build on these results for the benefit of North Dakota and its workforce. In devising this budget, expenditures were reduced where possible while still remaining efficient and effective: efficient in managing our organization's use of premium dollars to maintain financial stability; and, effective in professionally and personally providing quality services to our injured workers and employers.

Presented for your consideration is WSI's administrative budget request of \$53,273,732. You will note that WSI's biennial budget bill specifically exempts the agency from the general compensation increases outlined in 2007 SB 2189 and is nearly \$20 million larger than the last biennium's request. This increase mainly results from the request for a \$14 million investment in new information technology and 14 additional fulltime employees (FTEs).

The additional FTEs are being requested to continue to support the agency's mission. The 14 positions are: five Claims Adjusters, four Loss Prevention Specialists, two Loss Control Specialists, one Underwriter, one Return to Work Specialist, and one Information Service Specialist. Additional detail for each FTE can be found in Attachment 2 and funding and return on investment charts for the safety and claims positions can be found in Attachment 3.

Even with these increases in salary and development costs, WSI's administrative costs will still remain lower than workers' compensation carriers in other states. WSI's administrative expense ratio will run approximately 15%, as compared to the industry average of 25% to 35%.

The agency's current budget request also includes a major computer system upgrade with an estimated initial investment of up to \$14 million over the next two years. The funding for the system request would be paid from the agency's excess surplus and would not increase employer premium. The primary information systems that support WSI business operations were designed and developed more than ten years ago. The cost of upgrading and maintaining these systems now outweighs their performance returns. Additionally, the increasing maintenance and weaknesses of the current technology has resulted in several audit recommendations for WSI to address its information system tools.

You will also note that under section 4 of Engrossed SB 2021, WSI is directed to appropriate special fund dollars to the Labor Commissioner for the purpose of implementing the provisions of SB 2292 which transfers the Office of Independent Review (OIR). WSI has two concerns with this section of the Engrossed Bill. The first concern is that it requires WSI --a special fund agency-- to finance a general fund agency. This appears to contradict a 2003 Attorney General's opinion (2003-L-54) which indicates that it may be unconstitutional to transfer special fund resources in this manner. The second concern is that the total appropriation of \$1,072,319 is \$236,063 higher than the originally budgeted amount of \$836,256 for OIR. Consequently, because of these concerns, WSI is requesting that Section 4 be removed from the Engrossed Bill. Should the House of Representatives approve SB 2292, WSI's budget appropriation would be correspondingly reduced by \$836,256.

Lastly, for your information, in Attachment 4 you will find an outline for each of WSI's 12 continuing appropriation and in Attachment 5 you will find WSI's January 01, 2004, to January 1, 2007, contracted employee listing.

Thank you again for your time today and your consideration of WSI's biennial appropriation request. At this time, I and the members of WSI's staff would be glad to answer any questions you may have regarding Engrossed SB 2021.

*Attachment
one same
given to Senate
& House*