

2013 HOUSE APPROPRIATIONS

HB 1021

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
January 17, 2103
17338

Conference Committee

Committee Clerk Signature

Meredita Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: Called the Committee to order to hear HB 1021.

Bryan Klipfel, Director of Workforce Safety and Insurance (WSI): I'll start by stating our recent annual financial audits, conducted by an external firm, have unqualified and free findings for WSI. That's been happening for the past four years. Presented testimony, see Attachment 1.

07:55

Chairman Skarphol: Who sets the COLA?

Klipfel: Job Service. They give us the state average annual wage, and we look at the difference from one year to the next, that's the percentage increase.

Vice Chairman Monson: Are the benefit changes retroactive?

Klipfel: Normally, they don't go back. If you are a long term disability beneficiary, getting indemnity payments, your benefit goes up with the state average annual wage. If it is an injury with medical costs, we pay the current cost.

Rep. Grande: Why does this agency use a COLA, when no other agencies do?

Klipfel: That is the way the statute has been set. This happens in other benefit structures, Social Security gets an increase based on the consumer index.

Rep. Grande: Do we really want to do what SS is doing? COLAs have been detrimental to every benefit package across the nation. I don't have a problem with some kind of increase, but tying it to a COLA is a dangerous way to do it.

Chairman Skarphol: When you tie it to average wage, what's going to happen if wages begin to decline? Will it result in a reduction?

Klipfel: Probably not. It would probably stay at the same wage.

Chairman Skarphol: When was the COLA implemented?

Klipfel: I will get that information, I'm not exactly sure.

Rep. Boe: Is the cost of premium tied to COLA also, then?

Klipfel: Not directly. Our premiums are usually set in April, based on actuarial data. We take a look at what medical inflation would be, how many claims we may have, indemnity claims, that is figured into the premium rates set each year. Resumed presentation on page 2 of Attachment 1, minute 13:00.

18:55

Rep. Streyle: Regarding the IT project, what will it cost to replace the system that I don't think is usable at all anymore?

Klipfel: We decided to drop Aon as a partner. In our budget, we have \$1.2 M to go forward with the policy side. Aon was supposed to do an integrated claims and policy system both. We would like to get the claims done maybe the following biennium. The other option is to see if more money is available and do both of them.

Rep. Streyle: Is anything salvageable?

Klipfel: Aon owns the code. We will start over. Resumed testimony on page 3, minute 22:00.

25:10

Chairman Skarphol: When your surplus ratio is too high, what is the policy for reduction? Do you take it down to the 20% level, or find a medium between 20% and 40%?

Klipfel: It's outlined in statute. We will have to give another 50% dividend to get back to the 40%. We have two years to get into compliance. Went over Attachment B of Attachment 1 regarding net assets.

Chairman Skarphol: Does that dividend go back to any and every employer?

Klipfel: You have to have been here one year. Safety record is not factored in.

Chairman Skarphol: How is an employer with a bad safety record affected? Typically he's only affected by his rate class, correct?

Klipfel: Yes. We can put surcharges on a particular rate class if they have a multitude of claims. It's worse to have a bunch of claims than one big one. Their premiums can go up.

Chairman Skarphol: Do you have a policy where you give them extra attention?

Klipfel: We do. Most companies don't want their EMODS to go up, because it means they pay more in premiums. We try to incentivize them to make sure they are safe. We have a safety discount on premiums, up to 25%.

Rep. Dosch: There is also an experience ratio adjustment surcharge that can add up to 50% on the typical premium. Bad employers do get tagged with a higher experience ratio.

Rep. Boe: When large projects are done by out of state companies, who covers them?

Klipfel: That is a difficult situation. It is a challenge with underwriting. If a company comes in to the state and they make 25% of their income while they're in the state, they have to pay workers comp premium for those workers. One of the disadvantages of being monopolistic is we are not licensed in each state.

Rep. Boe: Are out of state companies eligible for the rebate?

Klipfel: If they are in good standing, yes.

Vice Chairman Monson: If an employee travels out of state they are not covered?

Klipfel: Temporary and incidental, less than 30 days, yes they are; long term, no.

37:25

Chairman Skarphol: What if an out of state company that should pay premiums to get ND coverage doesn't?

Klipfel: You find out if they paid required premiums when they have an injury. If a company doesn't have workers comp coverage in ND and they need it, and a worker gets injured, because they had to have coverage in the state we will cover that claim but we go back after the employer to collect the premium. We do have premium auditors that go around and look at some of the companies. Sometimes people complain and we check them out.

Rep. Grande: Is there a way to work with the Secretary of State to track businesses?

Klipfel: Yes, we work closely with the Secretary of State, so when a business will license in ND, they send that information over to us right away. We work with Job Service, so if someone is paying unemployment insurance in this state, we may take a look at those companies, if they don't match up. We do the best we can. In our budget, we have a compliance officer position, which will hopefully help check some of those companies. We also do spot checks in different communities.

Vice Chairman Monson: If they are not paying their premium in this state is it cheaper for them in another state?

Klipfel: We have the lowest premiums in the nation. Many employers would rather pay our premiums.

Rep. Boe: Could a company end up paying dual premiums, in ND and another state?

Klipfel: That could be a possibility. Resumed testimony on page 4, minute 42:50.

45:30

Chairman Skarphol: In what capacity (do you have temporary workers)?

Klipfel: 7 claims adjustors to deal with the increased workload; 3 vocational rehab; most are on the claims side, but we have some underwriters, too. Some are support services.

Chairman Skarphol: How many vacant positions?

Klipfel: None, except for HR director; he resigned and I am assuming those duties. Resumed testimony on page 5 of Attachment 1, minute 47:25.

Rep. Streyle: Do you need any appropriation to sue these guys (Aon)?

Klipfel: We have drafted an amendment for legal fees, see Attachment 2. The state of Oklahoma is also suing Aon, so we were put in contact with an attorney working with them. We're hoping we can get something back.

Chairman Skarphol: The Oklahoma lawsuit, when did they initiate that? What is the status of that suit?

Klipfel: February of last year. They are still doing motions and depositions. Aon is a large, \$2-3 B company. It is hard to go against a company with those resources, even though I feel strongly we are in the right.

Rep. Williams: What was Aon's problem?

Klipfel: They could never deliver anything on time. When they did a software delivery, it tested out very poorly. We stopped making payments to Aon because their work was so poor. We can't go with a product that can't pay our injured workers, and we lost all faith in their ability to get this done.

Rep. Boe: How much money are we trying to recover? Is that a full recovery?

Klipfel: It is not just AON, but also third-party vendors, and we are up to \$17M. I'm not sure what we will go after, we'll have to work with the Attorney General's office and this attorney.

Rep. Boe: Will the Attorney General's office be offering an opinion on the possible success of this case?

Klipfel: We've worked with them already. Because of the area of expertise needed, we have to work with another attorney from out of state. Even with a good case we could lose. We can't spend any money on this until we get the authority to do so. We have made contact with the attorney, who is going to fly out here next week, at his own expense, to look at our claim.

Vice Chairman Monson: What do you intend to pursue for damages? Does the company have the assets to pay back money spent or compensation for lost time?

Klipfel: Aon is a large company, which is one of the reasons we thought this would work. That could be a detriment, because they probably have more attorneys than we could afford. My input is I would go after the \$6.7M we paid to Aon. However, their delays are also the reason we had to pay so much extra to our third party, too, and might be included.

1:00:05

Rep. Williams: Where did you come up with the \$750,000?

Klipfel: It's a ballpark figure.

Rep. Martinson: You're not the only agency to have programs not work. I don't have a problem giving you the \$750,000, but it may be just more money wasted on this project.

Klipfel: Resumed testimony on page 6 of Attachment 1, minute 1:03:30.

1:09:40

Rep. Streyle: Was there any push back by the employees who got transferred over to ITD, and did that lead to any of the problems with Aon?

Klipfel: I feel we are partly at fault, it is never 100% somebody's fault. We've had some negative attitudes about this new computer project from some of our employees. Would they intentionally sabotage it, I don't think so. Resumed and concluded testimony, 1:12:20.

Rep. Boe: Will the pool of temporary employees shrink because some might convert to FTEs?

Klipfel: We would still keep the 10. Often we bring in these temps and move them into a FTE if one becomes open, so it's like a training pool. It is costly, but the way our business is growing we need to have those 7 new FTEs plus the temps.

Rep. Streyle: What is the work load for the temps? How will the new FTEs help you operationally?

Klipfel: Most of the temps are full time, 40 hours/week, but they have no benefits. We need the new FTEs to keep up with the workload. It will cost a lot more in the long run if we get behind on managing the claims.

Chairman Skarphol: If most temps are 40 hours a week, and you feel you will need them in the long run, why don't you ask to make them FTEs?

Klipfel: That was our original request, we wanted more FTEs, but I understand the process of adding FTEs to the state and we can get by with temps in these positions.

Vice Chairman Monson: Are the benefits savings the reason for hiring them as temps?

Klipfel: That's the benefit. We try to pay them appropriately, but they don't get vacation, sick leave, retirement, health insurance.

Chairman Skarphol: What do the employers or advisory board think about this arrangement? Would they rather have them full time, and would those who pay the premiums be willing to pay the cost? In some ways, this is an employer-paid issue.

Klipfel: We will live with what is in our budget. The WSI Board would approve more employees. The associations would support that also. We are doing what we can.

Rep. Dosch: Once you hire a full-time employee, they are there forever. When places like WSI are experiencing a surge in business which may or may not continue, it is prudent to hire temps until they determine if this will be an ongoing thing.

Chairman Skarphol: If we authorize the seven new positions, would you move a significant number of temporaries into these positions?

Klipfel: We would use our temporary pool to fill these positions. But we would still need the number of temps we have now to continue with our business.

Rep. Grande: Do you hire somebody and tell them they are temporary, or do you go to a temp service?

Klipfel: We go through the hiring process, and they know they are coming in as a temp. That way when our agency has an opening, we don't have to advertise outside the agency.

1:24:00

Tammy Dolan, OMB: On the question of the original FTE request, 16 FTEs were requested, and 7 approved. This is in the budget detail on the request summary page.

Rep. Williams: How much overtime do you end up paying?

Klipfel: Other than special circumstances, we don't do overtime.

Chairman Skarphol: Went over items on the green sheet. Closed the hearing on HB 1021.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
January 25, 2013
17744

Conference Committee

Committee Clerk Signature

Shirley Branning

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Chairman Skarphol: Called the committee to order to review HB 1021 Workforce Safety and Insurance Commission. All members are present except Rep. Grande who is ill. With regard to the transfer of people from the Information Technology Department (ITD) at Workforce Safety and Insurance (WSI), there are four being transferred. We would like to see the numbers for what is left and their responsibilities within that agency. WSI still has their own servers that they are maintaining and operating.

Rep. Streyle: In detailing out the three different business segments for their business operations, the servers are at ITD. The hardware is there.

Chairman Skarphol: Inviting Brian Klipfel, Director of WSI to add comments. Backup generator, was that put in place?

Rep. Martinson: Does the money go with them when FTE are transferred from one agency to another agency? Does the money go with them?

Sheila Peterson, Office of Management and Budget (OMB) Analyst: Yes, the dollars came out of WSI for those four employees and went to ITD. When the transfer is made they will be part of ITD.

Rep. Martinson: Will WSI continue to pay for them?

Peterson: ITD will bill WSI for the hours that are worked by those four FTE on WSI stuff. It will be part of the ITD billing once the transfer is made.

Rep. Martinson: Why don't they just become ITD employees?

Peterson: They are and their work is billed to WSI.

Chairman Skarphol: For the purposes of explaining this, the salary is removed from the budget for WSI except for monies they need for contract purposes to hire people from ITD. This is to create more efficiency since they may be underutilized at WSI.

Vice Chairman Monson: Discussing rates, I don't know that this is going to save us any money in the long run. How do you feel about that Mr. Klipfel?

Brian Klipfel, Director WSI: We are trying to centralize Information Technology (IT) functions. It will have to pick up the benefits as their employees and we pay them just for the time that we need them; I think it would be fairly close.

Rep. Streyle: I think all the analysts should go over there and maybe leave the technology service team.

Klipfel: We will have a need for IT people as we develop our system, maybe it could be a gradual change over. The claims management system is an in-house management system. When we get another system in place we could have our IT staff at ITD.

Rep. Streyle: It would be much more efficient to have all the IT people in one area for collaborative reasons.

Chairman Skarphol: IT is a collaborative thing where they work together, they get exposed to training, there is value to the employee, and they get exposed to new ideas. There is a need to keep personnel until you get a new system set up.

Klipfel: Going to ITD they have more opportunity for training, we agree with your idea in the overall picture. We thought we would have a system built by AON, they had the code and any enhancements we needed for our system. I don't know what the development will be for our system, will we have the code, and there are a lot of variables right now. I think our employees are nervous about going to ITD because they have been with WSI for a long time.

Rep. Streyle: So the programming staff is in house, don't you have any physical hardware in your office?

Klipfel: We have moved all of these to ITD, they have the servers and the backup servers for data.

Vice Chairman Monson: Addressing Chairman Skarphol, if every agency were to move their staff to ITD, how much physical space do they need to house these people?

Chairman Skarphol: Public Service Commission, the Industrial Commission, WSI and Water are the only agencies that are exempt and do have the extent of services that WSI has had. Water's reason uses a different operating system than state government. Public Service Commission felt that they had extremely large data files and it wasn't warranted to do the transition. They will be relocating into a facility up on 43rd and they will all be together at no extra cost, it will free up room within the building here.

Rep. Williams: Referring to the green sheet, this transition is not necessarily to save money, it is to be more efficient and you don't have the capability to utilize each employee.

Klipfel: We will still have to pay for that and it goes back and forth, we probably would have them come back and work for us.

Rep. Boe: What do they charge for a billable hour?

Peterson: IT depends on the type of employee it is. We think WSI will pay less for the hours used than they pay these individuals being their employees thus saving money.

Chairman Skarphol: Referring to Budget Analysis and Reporting System (BARS). There is \$390,000 in BARS for contractual services.

Rep. Boe: It will include benefits and vacation time.

Chairman Skarphol: \$65-\$70 was the average charge and hour whereas a private sector charge is \$125-\$160.

Rep. Boe: Time sensitivity will there be a case when you have to wait in line to get your work done?

Klipfel: To contract with Lisa Feldner, transferring over employees has worked out very well.

Vice Chairman Monson: There are three categories, hire them; turn over the responsibility to hire to ITD. A third option is a private contractor. If they move over to ITD and they work for other agencies, can we assure that there will be a savings in all budgets? We have no way of tracking the savings.

Chairman Skarphol: IT does not save money, it is to save time and provide more information. A project called MMIS has cost a lot of heart burn.

Rep. Williams: In breaking the contract with AON was a large factor in this transfer.

Klipfel: What played into that was that AON played into has the code. Our current Complaints Management System (CMS) is an in house system.

Rep. Dosch: How much have we expended to them already?

Klipfel: We've had other contractors working on this project, like Interteck, HCL WSI employees and ITD. The total what we paid for this project going forward was \$17M. We have gotten some benefit from it. AON got \$6.7M. It would be hard to get that back what we paid to the other third party in this lawsuit.

Rep. Dosch: You are going to keep the system you have now, but you are going to rely on the four people you have transferred to do the necessary program upgrades to bring it up to standards.

Klipfel: We don't know how long it will last, it has lasted for five years. Temporarily, we were able to go back to our current CMS that was in house developed. The hope would be that we could move forward with a new system.

Our options were to get a vendor for policy, put a wait on the claims system for a couple of years. We have to go with an Request for Proposal (RFP) if the dollars are there. We could go with a claims and a policy system depending on the cost is going to be.

Rep. Dosch: Have you had conversations with IT should we just do it in house? Do they have the expertize?

Klipfel: There have been no direct conversations about that.

Rep. Dosch: Referring to the green sheet, item # 3 the adjustment of \$4.7M.

Klipfel: We are short on our salary dollars on our temps. We have asked for additional employees, temps to fill those positions.

Peterson: This was a budget change that was made by the agency. Reading from the Budget Book. It does not correlate, will provide more information.

Rep. Dosch: Some projects were not completed, who will do that?

Klepfel: We haven't gone any farther than the budget request. We have not spent that money. That has been our budget for the last four bienniums.

Chairman Skarphol: The Governor did an oversight over projects order. What transpires in a major project?

Pam Sharp, Director of OMB: For WSI the Executive Steering Committee consisting of myself, Lisa Feldner as Chief Information Officer (CIO), Klipfel is director of the agency, Clare Carlson as project sponsor and Mark Molesworth who is large project oversight person at ITD. We all agreed on the decision to not renew the project when the contract expired on December 31.

Chairman Skarphol: Any major project must have an executive steering committee.

Sharp: The steering committee for the Medicaid Management Information System (MMIS) is me, Lisa Feldner, Maggie Anderson as the Agency head, Jenny Witham as the project sponsor and Dirk Huggett as large project oversight person from ITD.

The order was issued in July of 2011 and applies only to cabinet agencies. There is a bill to apply it to law for agencies except higher ed. Agencies believe it has been of value and there are at least 12 executive steering committees. We can delegate it to someone else if it is a small agency.

Rep. Williams: Why was Higher Ed not included?

Sharp: Because the bill out there does exclude higher ed and it came out of the interim IT committee. It is probably because of the Governance constitutional issue.

Vice Chairman Monson: There is a bill by Rep. Schmidt that has explicit guidelines on temps. What is your opinion on what would happen with that?

Klipfel: It would make it difficult to run an agency with the increase in business, the ability to have temporary employees is helpful to get the work done. We need them to stay on top of claims. Temps do not get health insurance even though we pay them a little bit extra. We have some who are hired full time as temps. The 32 temps that we have as full time are needed because of our increasing claims and increase in employers. We need to stay ahead of claims; it will cost a lot more for the employers if we are not on top of that. Benefits would be nice.

Chairman Skarphol: If you couldn't hire temps, would there be havoc in some areas because of time lines that you need to respond to. Problems in the past were due to a shortage of employees, do you see that as a potential problem?

Klipfel: It is a problem with a shortage of help. Moral goes down, they are overworked and the customer is not served well. Maybe you could contract out for bill review but contract fees would have to be paid.

Vice Chairman Monson: Overtime line item is zeroed out; you use temps rather than pay overtime. Do you have flexibility to move around from one item to another in your temps line item to overtime? Do you have the flexibility to come and ask for more employees?

Klipfel: In overtime, it doesn't do any good in the long run unless it is only for a short duration. With a single line budget we can move them around but I would like to stay away from overtime..

Rep. Dosch: What is the average time to pay a claim?

Klipfel: Within a day if possible, if the claim is accepted it is processed it could be less than 30 days. There are variables depending whether the claim is accepted or not accepted. We try to get our medical provider bills within 30-60 days' time period.

Rep. Dosch: With the seven new FTE are we keeping on top of the claims in an acceptable time frame?

Klipfel: We have to keep on top, and we will with the seven new FTE.

Vice Chairman Monson: How do we fix vocational rehab issues where someone can't find a job in his community? Relocating to the western part of the state where housing is not possible. The state is considered a whole community. How will you use the vocational rehab person?

Klipfel: Vocational rehab is in statute. We go down the list and the last is a state wide job search. We don't force people to go to another area, it is not feasible. We are allowed some discretion. We will retrain and not force our workers to go to another community. We want the injured to get back on the job. There is potential that we could find language on

that statute to remedy that issue. We sometimes use our judgment and not force a person to move.

Vice Chairman Monson: The vocational training....if there is a job in Williston and they could move, they have to take that first before they can do retraining. Where do we go to fix it, is there a bill out there?

Chairman Skarphol: We will leave it to Industry, Business and Labor (IB and L) for policy.

Rep. Streyle Why is this not on the standard fiscal year? Why is it from July 1 to June 30th? It is harder to get that payroll information from your provider instead of a full year.

Klipfel: We would like to keep track, every January we have to file payroll for WSI. Not sure how that can be fixed for now. It appears to be a better way of keeping track of employees.

Chairman Skarphol: On the building, with rent, is it segregated from other fund dollars and managed somewhat differently?

Klipfel: Not sure.

Peterson: It is on p. 2 of the green sheet, the first one.

Brittini Reim, Legislative Council Analyst: General budget operating expenses, change package detail, the 5th line item down may be related to the decrease in FTEs.

Chairman Skarphol: Hearing no further questions the meeting is adjourned.

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2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
February 7, 2013
18481

Conference Committee

Jocelyn Gallagher

Explanation or reason for introduction of bill/resolution:

Minutes:

Chairman Skarphol: I've asked Rep. Dosch to carry this one.

Chairman Skarphol: This one has a net increase of 3 employees; we had some discussion about the transfer of 4. How many are left? I think 10 left in that dept. IT employees.

Rep.Grande: My note says requested 16 FTE optional package.

Chairman Skarphol: They did request 16 but they are only allowed 7.

Rep.Grand: 4 of those 7 go to a different place?

Chairman Skarphol: 4 other employees will be moved over to ITD. Asking for 7 people to do other responsibilities and they're willing to move 4 of their IT people over to ITD.

Rep. Monson: Would this mean ITD would reflect an increase of 4 and therefore there would be 7 new FTEs? Even though this budget show a net of 3 there would still be 7 new FTEs somewhere in state government because of this?

Sheila Peterson, OMB: That is correct.

Chairman Skarphol: They have 30 some full-time temporaries currently. Would these 7 result in a reduction of their number of FT temps?

Sheila Peterson: They see themselves being up to around 30 temps even with 7 FTE. Had they gotten all 16 FTE requested then they could cut back on temps.

Chairman Skarphol: Is there a back log building of work not getting done or do they have to pay overtime?

Sheila Peterson: I think the cases are taking longer to process when employees do not live in ND on a permanent basis. They are finding caseloads are going up and taking longer to get resolved as they have to be in contact with medical providers in multiple other states.

Chairman Skarphol: They're not showing any request for overtime dollars.

Rep. Monson: If they have 30 temps and were asking for 23 people they would have made some temps into FT employees and then looking at benefits that go with it, by just giving those 7 we are still saving money. Using temps, they shouldn't have much overtime, correct.

Sheila Peterson: Correct.

Rep. Boe: He mentioned something about paying extra stipend to purchase health insurance, what is the price savings between them paying that stipend versus a benefit package?

Rep. Dosch: I believe its 500 dollars to help them purchase a single insurance plan versus a full state plan which is about 1,000 dollars a month. The way they're doing it is right; we're adding some FT to help with workload. Having temps is good and they're being prudent by adding some but not all.

Chairman Skarphol: Any other issues on IT stuff?

Rep. Streyle: I think we need to force more over there. There are way too many people there. We don't need to move all but at least half.

Chairman Skarphol: How many do they have?

Sheila Peterson: They did outline all numbers of FTEs that worked in IT area.

Chairman Skarphol: In the analysis it was done to recommend 4 move, can you give us your perspective on that?

Sheila Peterson: (10:00) She gave explanation on the question.

Chairman Skarphol: From the information provided by Ken Purdy we should have a fair description of their employees.

Sheila Peterson: She went through the information on IT employees, page 4, provided by their department. (11:28) Discussion on employee information, what 4 would go and how it is reflected on the sheet.

Chairman Skarphol: (15:18) Rep. Streyle what would you think of putting language in here that requires that an analysis be done of any agency that is not within the system. Those that still remain we would require an analysis be PSC, and Industrial Commission, Work Force Safety as to the potential for consolidation. Or would you rather to endeavor to move someone?

Rep. Streyle: (16:00 - 28:55) Discussion on transfer of IT employees and effects on agencies.

Chairman Skarphol: (29:00) Moving off the employees and to the projects on green sheet. Was the committee satisfied with the need for those particular aspects?

(29:25) Discussion on projects and budget reflected on green sheet: Data warehouse project, web portal project, and the policy replacement project.

Chairman Skarphol: (33:14) Are there other IT issues in other budgets, since we are going to have ITD down, we might as well have all the issues we want to discuss with them.

Rep. Streyle: If with the Industrial commission I would really like an overview on what their security is. We should at least appropriate some money to have a secure room or facility, which they do not have right now, and it is terribly frightening to me.

Chairman Skarphol: Govt. Ops will handle the Industrial Commission. Any IT issues with the water commission?

Rep. Monson: (35:24) Michael Hovey brought in 2 packets of info and there is an awful lot of handwritten stuff on there. Its mind boggling somebody hasn't developed something better than a handwritten thing that goes out. We need to do something here.

(36:17) Discussion on IT needs for Water Commission.

Chairman Skarphol: Sheila, you remember the controversy about consolidation and we let go on a few agencies cause of push back. This is an exemption that's been granted by the Governor, it's not in law. Have there been any conversations recently about change with regards to exempt agencies for example the water commission. How do we initiate this change without causing friction between the executive and legislative branch about trying to do the right thing for the people I serve?

Sheila Peterson: I think it should be looked at again.

Chairman Skarphol: The water commission for example does not utilize the apple application for water data that was the logic behind why they couldn't move. I see no reason they couldn't maintain that and be encouraged to move to a platform that provides more uniformity. Their administrative thing should be able to join the existing system.

Sheila Peterson: I think it would be fine to open the discussion.

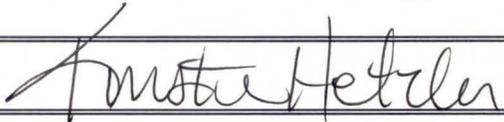
Chairman Skarphol: I think we need to have a discussion with ITD about how we would initiate that discussion with the agencies and their willingness to reconsider.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
February 14, 2013
Job 18730

Conference Committee



Explanation or reason for introduction of bill/resolution:

Workforce Safety and Insurance.

Minutes:

Attachment 1

Rep Dosch: You request that I talk to Rep Keiser about the number of employee needs. They strictly stick with policy regardless of the huge increase in volume, they are needed.

Chairman Skarpol: Based on their request vs. what the Governor authorized and your conversation with Rep Keiser, the utilization of full time temps do you think we are ok with the seven that they are requesting?

Rep Dosch: I believe so.

Chairman Skarpol: And the four positions going to ITD, is everyone satisfied.

Rep Martinson: If you want it to end up with 4 you better take 8.

Rep Streyle: That is what I think. Let's footnote that they are transfers and not new hires. 7 full time engineers, 3 contract developers, and a working supervisor for a total of 11. 4 of those are out of that group and I would at least take 2 more out of that group and the business services team I would take 1 to 2 out of that. Which includes 3 full time business analysis and a working supervisor so that is 4.(5:05)

Chairman Skarpol: So I am not seeing the same list you are, I am looking at the workforce so how many are there?

Rep Streyle: 11 in their application development team, 4 in the business services, and 4 in technology services so that would be 19 and that doesn't jive with what we were told. So I am not positive.

Sheila: WSI brought a document and it has a rust color on it that is all I have. It doesn't break it down that same way. It states that they have a total of 15 and they have not determined which of the 4 of those 15 would be moving.

Chairman Skarpol: So we could generically say they are moving 8 and they can choose which 8.

Becky: You would have to put a dollar amount on that though.

Chairman Skarpol: What is dollar amount on the green sheet?

Becky: I am not sure, I will check into that.

Chairman Skarpol: We need to know how they arrived at the 753,274 and what dollar amount they want attached to 4 more moving.

Rep Dosch: There was also a proposed amendment, where they were requesting that money to be used for legal cost to go against AON.

Rep Streyle: I agree with Rep Martinson and cut our losses.

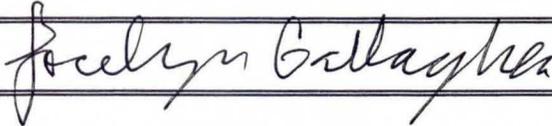
Rep Dosch: I will talk to them about it a little more, I believe they were talking about teaming up with someone in that suit.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
February 13, 2013
18925

Conference Committee



Explanation or reason for introduction of bill/resolution:

"Click here to type reason for introduction of bill/resolution"

Minutes:

Attachments 1,2,3

Chairman Skarphol: Called meeting take up WSI. Anyone want to make a motion to fund litigation costs for Aon suit? No money in the budget for this particular use.

Sheila Peterson, OMB: It is not in the budget.

Chairman Skarphol: Transfer 4 additional IT staff members to ITD.

Brittani Reim, LC Fiscal: Are you asking for additional costs to WSI as they transfer over and then the billing? It is the last column.

Chairman Skarphol: It is not reflected on the green sheet.

Sheila Peterson: 3:07 explained the figures about FTE.

Chairman Skarphol: You're suggesting the cost with contracting with ITD would higher than what his costs are based on employee salary and benefits?

Sheila Peterson: Correct

Rep. Streyle: Talked about the numbers. Essentially double that number if you're going to take 4 more.

Sheila Peterson: 5:43 Talked about billable time.

Rep. Dosch: 6:05 Spoke about his conversation with Brian on his concerns and information on taking additional 4 people.

Chairman Skarphol: I had concern expressed with policy replacement project. Rep. Dosch and Rep. Streyle need to have further conversation about this. We will hold on to this.

Rep. Grande: 9:40 Question on moving servers in IT and employee costs. At what point do we start saving money now that we have the ITD?

10:55 Discussion among committee members in response to Rep. Grande's question.

Rep. Streyle: 13:28 They have their fee schedule that's built for all agencies, if you do block time and not hourly rate then every other budget will come in and do the same thing.

Chairman Skarphol: It's difficult to describe difference between an employee who works at ITD and the amount of time they are on projects would be optimized because if there isn't work at one agency they move to another. They are not allowed to make money at ITD.

Chairman Skarphol: 16:31 Responded with figures on costs of employees to Rep. Grande's question.

Rep. Streyle: Out of the four people we need them 75% of the time, if you take the other 25% times 4 that is 100%, you can get rid of one of them.

Rep. Boe: The 713,000 that number only reflects the cost of that employee; if we could attach administrative costs to go with that it would come closer to this 900,000 number.

Rep. Streyle: Without forcing ITD to lower costs to make it exactly the same if they have excess revenue they should be turning it back to the general fund.

Chairman Skarphol: We won't resolve it today; we need to get a conversation about whether or not that policy replacement project should continue. If we decide not to continue that project that may affect whether or not they need these employees, that's got to be part of the discussion. Only other things that were on the sheet were payroll adjustments and corrections. Anything else you want to consider?

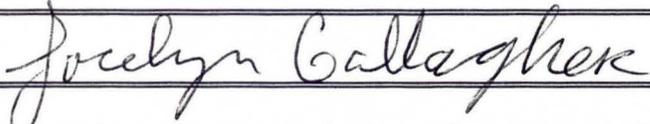
Chairman Skarphol: This is special funded agency and we discussed we're going to leave the 7 that they requested.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
February 18, 2013
19138

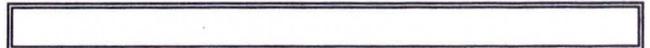
Conference Committee



Explanation or reason for introduction of bill/resolution:

Workforce Safety and Insurance

Minutes:



Unknown: Continue discussion on the transfer of 4 IT staff members to ITD.

Chairman Skarphol: Rep. Dosch you were going to have some conversation with regard to WSI IT issue, did you get to do that, or did you make a decision.

Rep. Dosch: We received additional information after our morning session. I would like to digest it and delay it till tomorrow.

Chairman Skarphol: There is some question about whether or not we should ask that WSI do a business process analysis.

Rep. Streyle: On the green sheet on the 4 FTEs, I make a motion we move that to 8. Do you want to do one big motion or vote on a couple? I would like to take out 4, 5, and 6 as well.

Chairman Skarphol: Let's do the FTE one first; I have a motion to increase the number of FTEs moving to Information Technology Dept. to 8, second by Rep. Grande. Voice vote, motion carries.

Rep. Streyle: Recommend we remove the 2 million on line 4, the 1.5 million on line 5, the 1.225 million on line 6 of in the green sheet. Also include a 2 to 3 to 5 hundred thousand dollars to do the business process analysis. I'm not sure if you have number on that but that's going to take a lot of work.

Chairman Skarphol: We can state up to 500,000 or as needed, can we not? We have motion to remove 4, 5, and 6 on the green sheet and require a business process analysis be done over the next two years with the ability to spend up to 500,000 dollars for that purpose. We have a second by Rep. Dosch.

Rep. Dosch: (4:05) could we have some discussion on the business process analysis?

Chairman Skarphol: It would be your intent to preclude them from using outside consultant?

Rep. Streyle: No, it might sense to do it internally.

Chairman Skarphol: Are you envisioning ITD would be responsible for overseeing this or WFS that this gets done appropriately?

Rep. Streyle: It has to be a joint effort.

Chairman Skarphol: Trying to think about how to word this. Utilizing the executive steering committee and industry best practices, ITD is to develop a business process analysis for WFS, does that sound logical?

Chairman Skarphol: We have a motion and second, I think we understand what it is we hoped for with regard to it, we'll just try to get it into some verbiage and we'll review the amendments before we move them on. We have a motion and a second, will take a roll, 8-0-0.

Chairman Skarphol: Rep. Dosch anything on this one? We have a motion for a do pass as amended on HB 1021. We have a motion from Rep. Dosch, second by Rep. Grande, further discussion?

Rep. Monson: There was a sheet, proposed amendment, agency operations would be increased by 4.7 and then contingency for legal fees.

Chairman Skarphol: We've decided against the contingency for legal fees.

Chairman Skarphol: We have a motion for a do pass as amended on HB 1021, clerk take the roll, 8-0-0

Rep. Dosch: We'll see the completed amendments and review those before we send it on, correct?

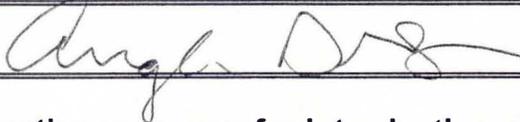
Chairman Skarphol: We will not be able to act on 1013 until Wednesday.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

HB 1021
February 22, 2013
Job 19403

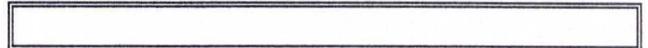
Conference Committee



Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:



Rep. Dosch went through amendment .01001.

Chairman Delzer: Did you want to put four back that are part of this amendment?

Rep. Skarphol: Yes.

Rep. Dosch moved amendment .01001 with exception of four additional FTE transfers and related dollars.

Rep. Skarphol seconded.

Rep. Kempenich: How many did the Governor have in there originally?

Rep. Dosch: It will be a net 3 gain.

Chairman Delzer: For Workforce Safety. But you're moving 4 to ITD?

Rep. Dosch: There are 7 new positions in claims processing, four positions that the governor has transferred from WSI to ITD. The net effect is three and reflected on the green sheets.

Rep. Skarphol: When the agency made their budget request, they asked for 16 FTEs. The Governor's recommendation was 7. This agency also has 30 full-time temps. While the personnel thing sounds a little complicated, if we take care of the amendment and go through the green sheet, it will be much clearer.

Voice vote: Motion carried.

Rep. Dosch went through the green sheet.

Rep. Kempenich: After the \$17 million, they figured there is somebody better able to do their IT?

Rep. Dosch: They are working with several different companies in the development of their software. It was determined Aon could no longer meet their needs. They are going to be under the realm of the state now, and hopefully this will keep things from happening like that again. That is number 3 on the green sheet, pulling out of the contract.

Rep. Skarphol: In the conversations about the IT issue, the governor took out 4 and the committee took about 4 additional. Rep. Keiser said the board met yesterday and had some concerns about that. We decided to succumb to the board's wishes and put the 4 back in that we took out. In addition to that, I'm going to make a motion that we require that Workforce Safety do an in-depth analysis of their IT needs to evaluate the potential move of additional IT personnel to ITD. I want that study and the study that is going to be funded under the \$500,000 business process analysis. Both must involve ITD to where there is some insurance that it's going to be done properly. In the motion, I would also add another \$100,000 in the event that the cost of those two studies exceeds the \$500,000 shown, all special funds. I would like number 8 to reflect \$600,000 and incorporate the language for the additional study for the analysis of their IT needs and their need for personnel.

Rep. Dosch seconded.

Voice Vote: Motion carried.

Rep. Dosch motioned for a Do Pass as Amended.

Rep. Skarphol seconded.

Roll Call Vote:

Yes: 21

No: 0

Absent: 1

Rep. Dosch carried the bill.

VK
 2/26/13
 1082

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1021

Page 1, replace lines 10 and 11 with:

"Workforce safety and insurance operations	\$58,413,293	(\$2,398,570)	\$56,014,723
Accrued leave payments	0	1,662,965	1,662,965
Total special funds	\$58,413,293	(\$735,605)	\$57,677,688
Full-time equivalent positions	247.14	3.00	250.14

SECTION 2. BUSINESS PROCESS ANALYSIS. The workforce safety and insurance operations line item in section 1 of this Act includes \$500,000 from special funds for workforce safety and insurance to contract with the information technology department and a private consultant to conduct a business process analysis for the biennium beginning July 1, 2013, and ending June 30, 2015. The analysis must include a review of the workforce safety and insurance business process and its use of information technology to support the business process and recommend changes to improve the efficiency and effectiveness of its business process and related information technology services.

SECTION 3. INFORMATION TECHNOLOGY STAFFING ANALYSIS. Section 1 of this Act includes \$100,000 from special funds for workforce safety and insurance to contract with the information technology department and a private consultant to conduct an information technology staffing analysis for the biennium beginning July 1, 2013, and ending June 30, 2015. The analysis must include a review of the workforce safety and insurance information technology staffing duties, responsibilities, and staffing levels and must consider the feasibility and desirability of transferring additional information technology positions to the information technology department and must provide recommendations regarding the appropriate level of information technology staff for workforce safety and insurance."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - House Action

	Executive Budget	House Changes	House Version
Workforce Safety and Insurance	\$63,131,407	(\$63,131,407)	
Workforce Safety and Insurance operation		56,014,723	56,014,723
Accrued leave payments		1,662,965	1,662,965
Total all funds	\$63,131,407	(\$5,453,719)	\$57,677,688
Less estimated income	63,131,407	(5,453,719)	57,677,688
General fund	\$0	\$0	\$0
FTE	250.14	0.00	250.14

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

ayd

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Removes Funding for Web Portal Project ⁴	Removes Funding for Policy Replacement Project ⁵	Removes Funding for Data Warehouse Project ⁶
Workforce Safety and Insurance			(\$63,131,407)			
Workforce Safety and Insurance operation	68,879	(1,397,598)	61,468,442	(1,500,000)	(1,225,000)	(2,000,000)
Accrued leave payments			1,662,965			
Total all funds	\$68,879	(\$1,397,598)	\$0	(\$1,500,000)	(\$1,225,000)	(\$2,000,000)
Less estimated income	68,879	(1,397,598)	0	(1,500,000)	(1,225,000)	(2,000,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Provides Funding for Business Process Analysis ⁷	Provides Funding for IT Staffing Analysis ⁸	Total House Changes
Workforce Safety and Insurance			(\$63,131,407)
Workforce Safety and Insurance operation	500,000	100,000	56,014,723
Accrued leave payments			1,662,965
Total all funds	\$500,000	\$100,000	(\$5,453,719)
Less estimated income	500,000	100,000	(5,453,719)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

²This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

³A portion of funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴Funding included in the executive budget for the web portal project is removed.

⁵Funding for the policy replacement project included in the executive budget is removed.

⁶Funding for the data warehouse project included in the executive budget is removed.

⁷This amendment provides funding to hire a consultant and the Information Technology Department to conduct a business process analysis. A section is also added to the bill regarding this analysis.

⁸This amendment provides funding for an information technology staffing analysis, including the feasibility of transferring additional information technology staff from Workforce Safety and Insurance to the Information Technology Department. A section is also added to the bill regarding this analysis.

Date: 2-18-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1021

House Education and Environment Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep Streyle Seconded By Rep Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol			Rep. Clark Williams		
Vice Chairman David Monson			Rep. Tracy Boe		
Rep. Bob Martinson					
Rep. Roscoe Streyle					
Rep. Mark Dosch					
Rep. Bette Grande					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Change 4 FTE's to 8

motion carries.

Date: 2-18-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1021

House Education and Environment Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Streyle Seconded By Rep. Dosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	✓		Rep. Clark Williams	✓	
Vice Chairman David Monson	✓		Rep. Tracy Boe	✓	
Rep. Bob Martinson	✓				
Rep. Roscoe Streyle	✓				
Rep. Mark Dosch	✓				
Rep. Bette Grande	✓				

Total (Yes) 8 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Remove 4, 5, 6 on green sheet and require
~~also to include~~ a business process
~~and~~ analysis

Date: 2-18-13
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1021**

House Education and Environment Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Dosch Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Robert Skarphol	✓		Rep. Clark Williams	✓	
Vice Chairman David Monson	✓		Rep. Tracy Boe	✓	
Rep. Bob Martinson	✓				
Rep. Roscoe Streyle	✓				
Rep. Mark Dosch	✓				
Rep. Bette Grande	✓				

Total (Yes) 8 No 0

Absent 0

Floor Assignment _____

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

Date: 2/22/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1021**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .01001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Dosch Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

.01001 with exception of 4 additional FTE transfers
 + related dollars
 voice vote carries

Date: 4/24/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1021**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Dosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

require WSI do in depth analysis of IT needs + need for personnel

both studies involve ITD

*add \$100,000 in event costs exceed \$500,000
 # 8 reflects \$600,000*

*voice
 vote
 carries*

Date: 2/22/13
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1021**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Dosch Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson			Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Dosch

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

REPORT OF STANDING COMMITTEE

HB 1021: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1021 was placed on the Sixth order on the calendar.

Page 1, replace lines 10 and 11 with:

"Workforce safety and insurance operations	\$58,413,293	(\$2,398,570)	\$56,014,723
Accrued leave payments	0	<u>1,662,965</u>	<u>1,662,965</u>
Total special funds	\$58,413,293	(\$735,605)	\$57,677,688
Full-time equivalent positions	247.14	3.00	250.14

SECTION 2. BUSINESS PROCESS ANALYSIS. The workforce safety and insurance operations line item in section 1 of this Act includes \$500,000 from special funds for workforce safety and insurance to contract with the information technology department and a private consultant to conduct a business process analysis for the biennium beginning July 1, 2013, and ending June 30, 2015. The analysis must include a review of the workforce safety and insurance business process and its use of information technology to support the business process and recommend changes to improve the efficiency and effectiveness of its business process and related information technology services.

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Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - House Action

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Less estimated income	63,131,407	5,453,719	57,677,688
General fund	\$0	\$0	\$0
FTE	250.14	0.00	250.14

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

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Removes Funding for Web Portal Project ⁴	Removes Funding for Policy Replacement Project ⁵	Removes Funding for Data Warehouse Project ⁶
Workforce Safety and Insurance			(\$63,131,407)			
Workforce Safety and Insurance	68,879	(1,397,598)	61,468,442	(1,500,000)	(1,225,000)	(2,000,000)

operation						
Accrued leave payments			1,662,965			
Total all funds	\$68,879	(\$1,397,598)	\$0	(\$1,500,000)	(\$1,225,000)	(\$2,000,000)
Less estimated income	68,879	(1,397,598)	0	(1,500,000)	(1,225,000)	(2,000,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Provides Funding for Business Process Analysis ⁷	Provides Funding for IT Staffing Analysis ⁸	Total House Changes
Workforce Safety and Insurance			(\$63,131,407)
Workforce Safety and Insurance operation	500,000	100,000	56,014,723
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Less estimated income	500,000	100,000	(5,453,719)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

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2013 SENATE APPROPRIATIONS

HB 1021

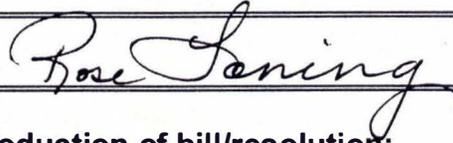
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1021
March 7, 2013
Job # 19566

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Testimony attached # 1

Legislative Council - Brittani Reim
OMB - Sheila Peterson

Chairman Holmberg opened the hearing on HB 1021. All committee members were present.

Bryan Klipfel, Director, Workforce Safety & Insurance

Testimony attached # 1

V.Chairman Bowman: When you hire these new software companies, do you do background checks, you don't know if they're successful or not. They all want to update, modernize. How do you handle that when you look for a new vendor and do they guarantee their work?

Bryan Klipfel: When we put the requirements together for that job together in 2007, I wasn't here at the time but I felt we had really good requirements for the system we needed. We were looking for a COTS system (Custom Off The Shelf). We started with a company called Valley Oak, they looked at our requirements and what we were looking for and they said yes we can deliver this product for you with the things that you want. Valley Oak was purchased by Aon shortly after that and took over the contract. The issue got more complex than Aon even thought. We have a complex system we're working off of now. They weren't able to deliver satisfactorily. In summer 2010 we renegotiated a contract with Aon we understand we originally wanted a COTS product and we have all these special things that we want that system to accomplish so we will work with you. It may take extra time, so we'll pay \$3 million extra. Aon came to the interim committee and talked to them, but the product was never good enough to do anything. WSI may have been at some fault, but the majority of it lies on Aon's shoulders. We need some dollars in case we go through litigation. (29:05)

Cindy Ternes, Director of Finance, WSI
(Speaking from page 7 of Bryan's testimony)

This budget does not contain any general fund dollars.

Chairman Holmberg: What are the taxpayers of North Dakota getting out of that additional amount of money? To have the housing stored at ITD. What is the benefit of that?

Cindy Ternes: I'm not prepared to answer that question. We have possibly a stronger recovery system but I can certainly get back to you on that.

Chairman Holmberg: There is a subcommittee on with Senator Krebsbach, Senator Wanzek and Senator Warner. It would be interesting to find out what we get, you get for that \$1.6 million differential.

Senator Robinson: Your temporary employees, how long have they been there? If workload continues to increase, is it wise to look at covering the increased workload demands with temporary employees if we are going to have problems retaining those people, training those people, and we have a revolving door.

Bryan Klipfel: Some of our temps have been on for a while and we are continuing to add more temps on board. For us it's not as good as having an FTE, but it is a way for us to get through big increase in business. For some people it works, but most people who are willing to work for state of North Dakota want to because of the benefits.

Senator Robinson: Is the turnover largely in that area?

Bryan Klipfel: Our turnover has been going up a little bit. Last session our turnover was 2.8%. I think because of the extra workload even for our fulltime employees that is an issue that we have to look at. They're looking for a job where they can make more money. Our turnover now is getting up to 7-8%.

Senator Robinson: Do you ever do any surveys with your employee base and your third party payers in terms of their satisfaction levels? We have the lowest premiums, how do we compare in terms of benefit pay to injured workers to the industry?

Bryan Klipfel: If you compare our benefits structure, we're probably in the middle of the pack. Our benefits are good. Every legislative session, we try to add on to the benefits. It is difficult to compare.

Senator Robinson: Is that something that just out of regular ongoing business practices, do you review on a regular basis? And as far as your third party providers and your employers, their satisfaction level with services and those types of things. It would be interesting if you have something in that area.

Bryan Klipfel: We do have some information. We do surveys for our injured workers and employers that pay the premium. Normally our injured worker independent customer

service survey we were at 4.23 in 2011 and we are down to 3.67, almost 4 in 2012 on a scale of 1-5. We're around 4 for employer satisfaction.

Senator Kilzer: Could you comment on your reserves, what level you're at these days and how it's been changing over the last few years and then the other question I have would be about the number of fatalities work related deaths seems to have gone up in the last few years and I know you mention more complexity to injuries but I would like to know what WSI is attempting to do about that.

Bryan Klipfel: On the fatalities, historically, and these are the claims that we accept because there might be sometimes someone may be killed they don't have North Dakota coverage they have coverage from another state or whatever or a farmer who doesn't need to have workers comp coverage. On the claims that we have accepted historically it's been about 12-13. Last fiscal year, go back 3 years, we had 29 fatalities accepted, the fiscal year before that we were at 9, and the year before that we were at 12. It has increased the last couple of years. This fiscal year which is going to end June 30, 2013 we are looking at 35-36. We have worked on a number of programs with various associations. (43:41)

Senator Kilzer: Are you doing anything else besides working with the Petroleum Council?

Bryan Klipfel: Yes, (briefly described some grants and programs). We work with employers to work with physical therapists who go to look at the business. We'll pay up to 75% of updated equipment if they have someone come in and look at your business.

Tom Balzer, North Dakota Motor Carriers Association (Lobbyist # 204): We are in support of WSI and feel that they have been responsible of the premium dollars. We were shocked by the House in taking away their technology dollars. They need to continue on. The staff compensation, these people deal with difficult situations and do it very well. The ability to keep them compensated comparatively is important. We'd like to see that restored as well. We have heartburn about taking 4 people out of WSI and putting them in ITD. There is some supplementation that goes on with employer premium dollars when you take them out and put them into a state agency who then charges that agency back the fees that are there. So there are administrative functions that are in there and we worry about increasing costs by doing that. I know that is a side note and I know it's something that is not in the governor's budget but it's something to consider. (53:16)

Chairman Holmberg closed the hearing on HB 1021.

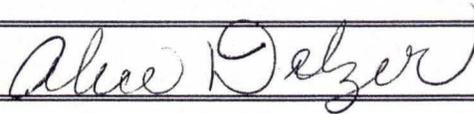
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1021 subcommittee
March 25, 2013
Job # 20429

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Workforce Safety and Insurance

Minutes:

Attached Testimony 1-3

Legislative Council - Sheila M. Sandness
OMB - Laney Herauf and Pam Sharp
Also present from Finance - Bryan Klipfel, and Cindy Ternes.

Senator Krebsbach opened the subcommittee hearing on HB 1021. **Senators Wanzek** and **Warner** were also present. The subject of salaries is a non-issue because in this bill we are reverting the salary package back to the governor's budget. You had requested 7 new employees or 10?

Bryan Klipfel, Director, Workforce Safety & Insurance: We asked for more employees than that, we did get 7 additional employees but we also transferred 4 of our IT people over to ITD. Therefore we got 3 new ones. Testimony attached # 1 - Current Temporary Employees.

Senator Krebsbach: Where are we are with these transfers? We are looking at all of these areas and I would like your opinion on that.

Mr. Klipfel: I will follow what the Governor's budget is and when we put together that budget and working with OMB, we said we would transfer 4 of our IT people to ITD. With that, that was at a time when we were still planning on going forward with our computer project (AON) and since that time we kind of finalized it through the Governor's budget process, we have gone away from AON which is a vendor for our policy and acclaim system. A lot of things have changed since then. We went back to our current in house claims management system, and that system is dependent on our developers and others to make sure that it works properly. That has been somewhat of a change regarding the IT part. If we need the 4 employees back, we have to pay for their services and get them back to help us work on our project.

Senator Krebsbach: Are they going to be available strictly for WSI?

Mr. Klipfel: Eventually they will. I think that would be the advantages of transferring people over to ITD as they would have a broader array of different projects that they can work on to get them experienced and it is probably more training than we can offer them. We did this before in 2008. Initially they were back working for WSI almost full time anyway but we have kind of gotten away from using them as much as we did before. We would be able to bring those 4 back if need be.

Senator Warner: You spoke of backfilling those positions, are those other IT people you would be adding or are they using the slots available for other people that would be working within your agency?

Mr. Klipfel: We transfer 4 IT people out and we are filling them with people that we need for our main business functions. It was a positive move in the sense that we are able to get some people in to fulfill our main function needs.

Senator Warner: Do you maintain some IT for little functions like help desks, etc.?

Mr. Klipfel: Yes we do. We have 3 people - one is the help desk person and we have 8 developers, a supervisor, we have 3 business analysts, it is a total of about 16 IT staff that we currently have.

Senator Wanzek: Is that with or without the 4?

Mr. Klipfel: Right now we have 16, we would transfer 4, and that would leave 12.

Senator Krebsbach: The House removed some funding, (inaudible)

Mr. Klipfel: When we put this budget together, we were working with AON and we thought we would get a product from them but unfortunately because of the delivery of their products was not satisfactory. If we would have been successful with AON project we would have been able to maybe continue on. We've had these in our budget for the last 4 biennium already because we have always been busy with this AON projects so we have never been able to do them. It would have been to enhance our current system. We have to keep up with the technology - smart phones, iPads, and all of those things. Once we found out we were not going to be working with AON, our plan was changed. Maybe when it went to House Appropriations, it wasn't as well defined then as it is now. We have been working with the Governor's executive steering committee. They are involved with any large IT project. So in working through the executive steering committee we came up with a motion that was passed. This process was started in 2007. (Briefly goes through the process for the committee) When those are done we can see where we want to go. We probably want to start with our policy or claims depending on what the price would be. To get all these done is going to cost some dollars. We are working with ITD with a certified product manager, and in looking at this, she thought we could probably get a lot of this accomplished in 6 months to a year. Then we can decide where we want to go from there. It depends on what is in our budget. That is why they pulled the \$4.7 million out of our budget that leaves us with not a lot of options moving forward. All we can really do is a process analysis. It would help us a lot if we had some money. I am not saying that we need exactly the \$4.7 million. Back in 2006, they felt our computer system would not hold

up, and if we waited too much longer, we could have some difficulty with the system we have now.

(12.23)Pam Sharp: I think the steps are really appropriate. You might want to clarify the data warehouse and the web portal project because it might take all of that money to go to the claims or policy and we might need to forego...

Mr. Klipfel: When you look at the \$4.7 million, the data warehouse and web portal were part of that. Hopefully we can get started with policy or claims after that. Hopefully we can get some dollars restored back into the budget to do that.

Senator Wanzek: Hopefully some money - how much money?

Mr. Klipfel: Ideally, I would prefer to have the full \$4.7 back in again. That will help us get some of our steps done and give us some dollars to do our policy side or claims. These systems are not cheap, as we found out working with AON. We may not have enough dollars to start anything, I hope we do.

Senator Warner: Do you have any special concerns about privacy? There has been some talk as we consolidate more and more operations into ITD, that there are certain agencies that need to segregate their data. Is that an issue with your agency?

Mr. Klipfel: I think we do, but we have all of our services at ITD already. Our data and servers are there already and that is why we transferred 2 people already. I am satisfied with the firewalls.

Senator Krebsbach: In regard to the two studies that have been added by the House, I am not going to ask if they are necessary, but I question always the fact that we study and we study. I think we have done that already. I guess we will take a good look at whether we need those as a committee. (Inaudible question)

Mr. Klipfel: (lists who is on the advisory board)

Senator Krebsbach: How do you implement them or deny them referring to the board)?

Mr. Klipfel: the board is very important because they represent the different areas of the state. When they come in and they have an issue, we definitely listen to what they have and the majority of the time we follow what they recommend. They are valuable. They represent the stake holders around the state.

Sheila M. Sandness: Quoted from the Century Code #65-02-03.1 Workforce safety and insurance board of directors - Appointment. Testimony attached # 2. (20.18)

Senator Krebsbach: Asked WSI to provide a brochure showing the board members. What you are asking for is about an \$8,000 difference, what is included in that change?

Ms. Ternes: It is just inflation. It was set back in 2006. We work with our IT director and those are the estimates that they arrived at.

Senator Krebsbach: That doesn't seem like much from 2006 until now.

Senator Wanzek: (Asks a clarification on what is being asked for.)

Mr. Klipfel: We are asking to get back to the Governor's original budget.

Senator Krebsbach: It sounds to me that you have a good enough working condition with ITD that if these people are transferred, you feel they can be accessible for your needs?

Mr. Klipfel: I feel they would be. I had one other issue, and it was on that litigation. See Attached testimony #3 for proposed amendment. This was from our failed computer project. AON was the vendor, and we are in the process of checking with legal attorneys to try to get our dollars back from the failed project.

Senator Krebsbach: The attorney would be on a contingency basis.

Mr. Klipfel: We had received a letter back from a law firm that was going to take a look at this and the pros and cons of going forward with a law suit. We checked with a firm in TX and S.t Paul, MN, and the one from St. Paul had a little bit of a different approach to things that I liked. First of all, they put it into 3 phases. They would gather all the information and go through it and then we could sit down with them at that point to see what kind of a lawsuit we could go forward with. The 2nd phase would be to try and work with AON, and try to get dollars back by negotiating without going through the litigation process. We don't know how successful that would be. The 3rd phase would be litigation. They were willing to charge us a fee but they would also take a contingency. I believe it would be 15%. With that we would have to get approval by the emergency commission for that.

Senator Krebsbach: That sounds pretty reasonable.

Mr. Klipfel: There is a fee plus 15%. WE would have to sit down and figure out the cost of that and decide. Hopefully they would win the lawsuit and get some money. The firm in TX had fees of \$1.5 million and no contingency, just a straight fee.

Senator Wanzek: What kind of damages could we possibly collect?

Mr. Klipfel: The total we spent on the project was about \$17million. We had a couple of other vendors too. AON was the main one. Their fees were about \$7 million. That would be what we would mainly look at that. Even if we sue them for \$7 million, they could countersue us for lost earnings and such. There is gamble here and there is always a gamble when you go to litigation; you never know what will happen in front of jury. They could go either way. I will be honest; it's been a lot less stressful since we got rid of AON. (29.39)

Committee Members and Mr. Klipfel Discussion: They talked about the different companies that have worked on the project and what was actually accomplished out of what had been done. There have been a lot of man hours that were invested in that there is no estimate on that. Penalties were paid by AON for not meeting certain deadlines. AON

owned the code so all of that was lost. It was pointed out that the project came about before Mr. Klipfel became the director and it simply was frustrating to spend all of that time and effort and not receive a product.)

(36:25) Senator Krebsbach: So to wrap this up, you are looking to reinstate the money and then to consider the amendment that was proposed?

Senator Warner: Would there be any involvement at all with the Attorney General's office with the litigation?

Mr. Klipfel: It's our costs as far as any litigation. We have met with the Attorney General's office and they have given us advice. Any determination to do a law suit we will be totally out of our budget. They cannot handle this type of intellectual property case. Most attorneys that deal with that are very expensive. It could be \$700 an hour; a lot of items we can get a blended rate.

Cindy Ternes: The wage corrections were a non-issue if I understand you; does that include the correction to the compensation package? That was the OMB correction.

Senator Krebsbach: Yes it would include the OMB correction, and we are removing the part about the accrued leave. We are putting back the original package plus what was initially missed.

Senator Wanzek: I am assuming the \$750,000 for the attorney fees comes out of the fund.

Senator Krebsbach: There are no general fund dollars in this budget.

Senator Krebsbach: Closed the subcommittee meeting on HB 1021.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1021 Subcommittee
04-02-2013
Job # 20783

Conference Committee



Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for Workforce Safety and Insurance

Minutes:

attachment

Chairman Krebsbach called the subcommittee together on Tuesday, April 02, 2013 in the Senate Conference Room. Let the record show all conferees are present: Senator Krebsbach, Senator Wanzek, and Senator Warner. Also present are personnel from WSI, Bryan Klipfel and Cindy Ternes.

Becky J. Keller - Legislative Council Sheila Peterson - OMB

Senator Krebsbach addressed the amendment # 13.8150.02001 on attached testimony #1. It adds back in the money for the salaries that the House took out. They took out \$4.725M; we put that back in. It gives you the flexibility to work on the IT project that you need. The only thing was whether we had dealt with the language about the transfer of dollars and your staff to ITD.

Bryan Klipfel, Director of WSI: They had taken out the \$4.725M for the IT project and then they put back in \$600,000 total: \$500,000 to do a business process analysis, the other \$100,000 to do a study to determine whether it is feasible to move IT staff over to ITD.

Senator Krebsbach: Do you want to do some transferring?

Mr. Klipfel: We worked through this with OMB and with the governor's office and we determined we would transfer 4 people over to ITD.

Senator Warner: Are these engineering and design people?

Mr. Klipfel: We haven't made a determination of who is going over there. Some who might go are some of the developers. We will keep our help desk people, and we need our business analysts.

Senator Krebsbach: Do you have 15 people in that area?

Mr. Klipfel: With the supervisor we have 8 developers, 3 business analysts and a supervisor, and 3 people at the help desk.

Senator Krebsbach: Then you would end up with 11 in-house and transfer 4 out. That's already in the governor's budget. What about the amount put in for the study?

Mr. Klipfel explained that they have six steps for their IT projects. (05:40 to 06:50)

Senator Krebsbach: I am questioning if you are ready to do an in-depth study at this time or do you just want to get the system that you have now working for you?

Mr. Klipfel: You really should know what your processes are first and then you should develop a system to do that project. He explained that the study is covered by money they already have because it is one of the six steps.

Senator Krebsbach asked Becky to incorporate that and remove the \$500,000. All of section 2 can go out.

There was discussion about what parts of the bill to remove and the fact that there is a lot of money put into studies.

Senator Warner asked if all WSI systems were the same.

Mr. Klipfel: That is what we tried to get with AON, but it's hard to get a custom system. We are monopolistic. That makes a big difference as to what we need, every 2 years something changes our benefit structure. There are too many different features that we need which makes it hard to get it off the shelf.

Senator Warner spoke of the astonishing cost of making changes.

Senator Krebsbach: We can take a look at the amendments. We are adding the \$4.725M, the contingent litigation fees, and the salaries are going back to the original. Becky will incorporate the removal of those sections: Section 2 and Section 3 and the dollars that are included.

Senator Wanzek: We discussed litigation. Could you elaborate again? Are you pretty sure we will use that?

Mr. Klipfel spoke of the chances of what may happen with the lawsuit. (Ends at 16:36)

Senator Wanzek: I would move amendment 13.8150.02001 with the addition of removing Sections 2 and 3 of the bill.

Second by Senator Warner.

All in favor say aye.

Motion carried.

Senator Krebsbach: That completes the work at this point. We will bring the revised amendment to the full committee. We are dismissed.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1021
April 11, 2013
Job Number 21121

Conference Committee

Committee Clerk Signature

Rose Denney

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Testimony attached # 1

Legislative Council - Sheila M. Sandness
OMB - Laney Herauf

Chairman Holmberg opened the discussion on HB 1021. All committee members were present.

Senator Krebsbach handed out amendment 13.8150.02005 and explained it. See page 1 of attachment #1 "Department No. 485-WSI-Detail of Senate Changes". (01:20 to 03:50)

Senator Krebsbach moved amendment 13.8150.02005
Senator Warner seconded the motion.

Senator Robinson expressed two concerns with the amendment. The first concern is with the contingency funding for litigation. He met with the attorney and the attorney was not willing to take this on commission. That was a red flag. An independent attorney felt the same way. If we want to get it back, we'll have to pursue it. His second concern was with the IT project at WSI. The track record is not good - the thought is that we have to get a new set of eyes looking at this - outside the agency. It would be good to have the folks work with ITD. This has cost us millions. We've had a lot of success stories in ND and this was an expensive failure. Those two issues are real. (04:09 to 07:10)

Senator Warner: I do agree with Senator Robinson on involving ITD in the central planning process. The new system is years off and in the mean time we will be on the Legacy System. We should keep in place those who know that system until the new system is up and running. (07:20 to 08:24)

Senator Krebsbach said **Senator Robinson's** concerns have been addressed. They have visited with two different firms. One already has a fight with Aon. They would not

take the case unless it was on a contingency basis. WSI will consult with ITD and seek their advice. (08:27 to 09:18)

Senator Robinson said he appreciated Senator Krebsbach's and Senator Warner's input. He had previously understood that they would be moving to a new system as soon as possible. He is relieved that they are going to take adequate time to switch off the legacy system. He also welcomed the report from Senator Krebsbach on the litigation costs. He still hopes they can recoup some of those costs. He spoke about the IT project that became such a waste of money and about where to place the blame.

Senator Krebsbach: Here again, unfortunately these things happen. We've had similar situations where things have gone wrong. We've had to step back and start all over again. I don't know who's to blame.

Voice vote on amendment 13.8150.02005
Amendment adopted.

Senator Krebsbach: Do Pass as Amended on HB 1021.
Senator Warner seconded the motion.

A roll call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Krebsbach will carry the bill on the floor.

1047
 4/11/13
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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

Page 1, replace lines 10 through 14 with:

"Workforce safety and insurance operations	\$58,413,293	\$5,555,225	\$63,968,518
Litigation contingency	0	750,000	750,000
Total special funds	\$58,413,293	\$6,305,225	\$64,718,518
Full-time equivalent positions	247.14	7.00	254.14"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Workforce Safety and Insurance	\$63,131,407			
Workforce Safety and Insurance operation		56,014,723	7,953,795	63,968,518
Accrued leave payments		1,662,965	(1,662,965)	
Litigation Contingency			750,000	750,000
Total all funds	\$63,131,407	\$57,677,688	\$7,040,830	\$64,718,518
Less estimated income	63,131,407	57,677,688	7,040,830	64,718,518
General fund	\$0	\$0	\$0	\$0
FTE	250.14	250.14	4.00	254.14

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	1,662,965		4,725,000	(500,000)	(100,000)
Accrued leave payments		(1,662,965)				
Litigation Contingency			750,000			
Total all funds	\$1,397,598	\$0	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	0	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
	0.00	0.00	0.00	0.00	0.00	0.00

FTE

	Restores Information Technology Staff ⁷	Total Senate Changes
Workforce Safety and Insurance		
Workforce Safety and Insurance operation	768,232	7,953,795
Accrued leave payments		(1,662,965)
Litigation Contingency		750,000
Total all funds	\$768,232	\$7,040,830
Less estimated income	768,232	7,040,830
General fund	\$0	\$0
FTE	4.00	4.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions.

⁴ This amendment adds funding for information technology projects. The agency may determine which projects are developed.

⁵ This amendment removes the funding added by the House for the business process analysis.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis.

⁷ This amendment restores the 4 FTE information technology positions and the related funding transferred to the Information Technology Department in the executive budget and the House version.

Date: 4-11-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1021

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13, 8150, 02005

Action Taken Adopt Amendment Do Pass
 Do Pass as Amended Do Not Pass

Motion Made By Krebsbach Seconded By Warner

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg			Senator Tim Mather		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Voice Vote
Carried*

Date: 4-11-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1021

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Adopt Amendment
 Do Pass as Amended

Do Pass
 Do Not Pass

Motion Made By Krebsbach Seconded By Warner

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment KK

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

REPORT OF STANDING COMMITTEE

HB 1021, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1021 was placed on the Sixth order on the calendar.

Page 1, replace lines 10 through 14 with:

"Workforce safety and insurance operations	\$58,413,293	\$5,555,225	\$63,968,518
Litigation contingency	0	750,000	750,000
Total special funds	\$58,413,293	\$6,305,225	\$64,718,518
Full-time equivalent positions	247.14	7.00	254.14"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Workforce Safety and Insurance	\$63,131,407			
Workforce Safety and Insurance operation		56,014,723	7,953,795	63,968,518
Accrued leave payments		1,662,965	(1,662,965)	
Litigation Contingency			750,000	750,000
Total all funds	\$63,131,407	\$57,677,688	\$7,040,830	\$64,718,518
Less estimated income	63,131,407	57,677,688	7,040,830	64,718,518
General fund	\$0	\$0	\$0	\$0
FTE	250.14	250.14	4.00	254.14

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	1,662,965		4,725,000	(500,000)	(100,000)
Accrued leave payments		(1,662,965)				
Litigation Contingency			750,000			
Total all funds	\$1,397,598	\$0	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	0	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Restores Information Technology Staff ¹	Total Senate Changes
Workforce Safety and Insurance	768,232	7,953,795
Workforce Safety and Insurance operation		(1,662,965)
Accrued leave payments		750,000
Litigation Contingency		
Total all funds	\$768,232	\$7,040,830
Less estimated income	768,232	7,040,830
General fund	\$0	\$0
FTE	4.00	4.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions.

⁴ This amendment adds funding for information technology projects. The agency may determine which projects are developed.

⁵ This amendment removes the funding added by the House for the business process analysis.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis.

⁷ This amendment restores the 4 FTE information technology positions and the related funding transferred to the Information Technology Department in the executive budget and the House version.

2013 CONFERENCE COMMITTEE

HB 1021

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
April 18, 2013
Job 21251

Conference Committee

Committee Clerk Signature

David Hanson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Chairman Dosch called the committee to order with a quorum present.

Sen. Wanzek: The chairman on the subcommittee that did a lot of work on this wasn't included on this conference committee, for some reason. I was chairing 2021, the ITT budget, and I'm wondering if there wasn't some confusion over these bills. There are some differences between compensation that don't need to be addressed right now. We removed four FTEs in the ITD budget, which I did chair. We have the four FTE's coming out of WSI and going into ITD. In this budget, the amendments, we returned those four. The thought was leaving them there to help with that system will be of value to them. 2:30

Chairman Dosch: It was in the governor's budget to take them out and when we heard the testimony from WSI they were still fine with that. I'm not sure what happened between the time we heard the testimony and now. 3:09

Sen. Robinson: I think there was concern that WSI was going to go down the road with another software package or project that we incorporate more involvement with ITD. We thought we should bring in house expertise to help with the transition. The explanation in our committee was that was not going to happen in the short term. We just wanted assurance. 4:38

Chairman Dosch: That ties into the money taken for the business process analysis. What was the discussion there? Because what we were looking at putting that money in was they were going have to develop an assessment of their system to come up with a new system. 6:30

Cindy Ternes-WSI Director of Finance: We have gone back to our old system. We are working on upgrades to that system. 7:30

Chairman Dosch: The money we had for business process and analysis, is that not needed anymore?

Ternes: Part of the six steps is to review our requirements. Perform research would be some of that work; we are doing that with conjunction with ITD. 8:28

Rep. Dosch: Has WSI changed their mind over the FTEs moving to ITD?

Ternes: Explained a handout she gave to committee members. Our current structure within the IT department has 16 FTEs and two full time contracted employees. WSI has asked to be put back to the governor's recommendation.

Sen. Robinson: It was the understanding in the Senate side, that they were closing the books on a certain contract.

Turnes: Yes.

Sen. Robinson: It was my understanding, based on the testimony from our Senate leader in the Appropriations Committee, that WSI wanted those four FTEs to stay with them. Because this new project is in the review stage and will be moving down that road, but not immediately. Is that correct?

Ternes: We have changed a lot since our budget request went through.

Rep. Dosch: The Senate restored the money for the contingency funding for the litigation fees. On the House side we looked and that thought do we pursue it or not. 11:55

Sen. Wanzek: We did discuss that. There was some talk about some of the funding going to do some investigative work and to look into some contingency type as opposed to a lawsuit as well. 13:10

Rep. Martinson: Recommended that the committee adjourn to give the senators time to reevaluate, so that they can give proper information.

Sen. Wanzek: I would appreciate that.

Chairman Dosch adjourned the committee.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
April 19, 2013
Job 21317

Conference Committee

Committee Clerk Signature

David Hanson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Chairman Dosch called the committee to order. The clerk called the roll with a quorum present.

Sen. Wanzek: They have been in discussions regarding the four FTEs and he is still gathering information about possibly moving them. Stated that they just want to make sure that they do the right thing so that they don't repeat the problem they had previously. They aren't ready to make a motion because the compensation issue isn't resolved. 2:50

Chairman Dosch: I would agree with that. I talked to WSI and they would still like to follow the governor's recommendation and move those four FTEs to IT. I know the Senate had removed the process analysis as well as the IT analysis. I would ask the Senate to consider that if we keep those two items out if we would look at putting the funding back in for the IT. They are planning on going forward with the policy replacement project. 7:28

Sen. Wanzek: I think that seems reasonable to me. I just want to make sure that they are properly funded so they can move forward. I also understand that we don't want to see them throw good money after bad. We want to make sure that we have a legitimate chance at recouping those dollars. 8:56

Chairman Dosch: As do I. We want to make sure that there is support on our side and throw out some ideas so everyone can consider it.

Chairman Dosch adjourned the committee.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
April 20, 2013
Job 21360

Conference Committee

Jocelyn Gallagher

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

[Empty box for minutes]

Chairman Dosch: called the committee to order with a quorum present.

Chairman Dosch: Items we need to talk about, the litigation, dollars for the IT project, and maybe we should start with employees and work our way backwards. We still should pursue transferring out those 4 employees from WSI to IT.

Sen. Wanzek: I would discuss that, but I would prefer to discuss it in the context of the entire agreement. (2:05) This is the offer that I discussed with the other conferees and part of the reasoning is that the transfer of it and the actual cost to WSI will be higher than paying the ITT fee versus just employing them. Allow the 4 FTEs to move, maintain the money and they cover the added cost in the moving those 4 FTEs.

Chairman Dosch: (3:10) The 750 we'd still keep or designate as the contingency for litigation?

Sen. Wanzek: That would be the way I understood it, we keep it designated for that purpose. We want to make sure to add language that makes it clear we want to be sure before we spend all this that we investigate thoroughly and have a legitimate case.

Rep. Martinson: Wasn't there some talk that they would have some lawyers that would take it out of contingency?

Sen. Wanzek: (4:41) There are some attorneys that.....you would have to spend the initial money to have them look into it and determine if it is a worthy case or not.

Chairman Dosch: (5:52) We would also look at keeping the other two provisions that the Senate put in as far as removing the 500,000 and 100,000. That would remain as it is.

Sen. Wanzek: Correct. It wouldn't really be needed. Understanding we can't do anything on the pay package. I think if we solve this we solved our situation.

Chairman Dosch: I think from my perspective this is something we could get real close on and since we can't resolve the pay package maybe we will take a five minute recess, come back and see if we can't resolve the rest of this.

Sen. Wanzek: I wasn't expecting you to say immediately yes or no. I need to think things through.

Rep. Martinson: I like your idea to take five.

Chairman Dosch recessed the committee for five minutes.

Chairman Dosch called the committee back to order. (8:13)

Chairman Dosch: We find the Senate's proposed amendments reasonable and it's fair to workers comp. It is the right thing to do. The only thing I would like to add is that the 750 if it is not used or the entire portion is used that it's understood that money will go into ongoing IT projects. It will make workers comp think about if they are going to expend that money.

Sen. Wanzek: If I could raise one more issue, if they should prevail in a court case it's our feeling that money that was spent and there was a settlement that money would go back into that fund.

Chairman Dosch: (9:56) Would it go back into their general fund or would we want to designate or authorize them to use that money for the IT development? Maybe it would be best if we just sent back to the fund and we would have to come back and re-allocate it.

Sen. Wanzek: We would agree upon the transfer back out of the 4 employees from WSI to IT and we would agree to re-instate the money for IT projects out of which they would have to pay their IT contract back those individuals. It is our understanding they continue to work with the IT department or executive steering committee.

Sen. Robinson: I think the executive steering committee that can meet on short notice; the State Information Technology Advisory Committee (SITAC) is another vehicle. I think the executive steering committee is the one that will monitor things on a day to day basis.

Chairman Dosch: We just want to make sure that the state IT is involved in the process. The only other thing would be waiting on the outcome of the pay package. If we could have the amendments drawn up and distributed to the members so they can review them prior to our next meeting, then they can be incorporate them. We need a motion. Does the Senate need to recede from their amendments and then we further amend?

Brittani Reim, LC staff: If there amendments, when it's a house bill the senate will recede to further amend, if it were a senate bill it would be the house recedes and further amends.

Chairman Dosch: The senate is receding and the committee moves to further amend.

Sen. Wanzek: (14:30) I would believe we can't really accede to our amendments because you're not agreeing to all our amendments, so we've got to recede from the Senate amendments and then further amend.

Chairman Dosch: That is your motion?

Sen. Wanzek: My motion is we recede from the Senate amendments and we further amend, they heard everything, I'm not going to repeat everything. The motion would not include the pay package at this point until that is finalized and then we'll further amend it again.

Rep. Martinson: For the sake of time once we get to that point, we should have the pay package included in the written amendments though, or did you want to look at the amendments first and then add the pay package.

Brittani: I can draw up the amendments and you can review them and then make a motion on it further.

Chairman Dosch: We will take a roll call on the proposed amendments, **seconded by Senator Lee.**

Motion carried. Yea-6 Nay-0 Absent-0

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Roughrider Room, State Capitol

HB 1021
April 23, 2013
Job 21432

Conference Committee

Committee Clerk Signature

David Hanson

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Amendment .02006

Chairman Dosch called the committee to order with a quorum present.

Brittani Reim-Legislative Council: Explained amendment .02006. 3:00

Chairman Dosch: Reviewed the amendment. I think that is about it according to my notes.

Senator Robinson moved that the Senate recede and further amends with amendment .02006 and Senator Wanzek seconded. Motion carried. Yea-6 Nay-0 Absent-0

Chairman Dosch adjourned the committee.

VR
4/23/13
108 3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

That the Senate recede from its amendments as printed on pages 1544-1546 of the House Journal and pages 1371-1373 of the Senate Journal and that Engrossed House Bill No. 1021 be amended as follows:

Page 1, line 2, after "insurance" insert "; to provide for litigation contingency and settlement funds; and to provide for information technology projects and business process analysis"

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	\$58,413,293	\$2,496,164	\$60,909,457
Accrued leave payments	0	1,662,965	1,662,965
Litigation contingency	0	750,000	750,000
Total special funds	\$58,413,293	\$4,909,129	\$63,322,422"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY - SETTLEMENT FUNDS - USE OF FUNDS. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project. Any remaining unused litigation funds may be used by workforce safety and insurance for the development or operation of information technology projects. Any moneys received by workforce safety and insurance resulting from a settlement or court awards relating to this project must be retained in the workforce safety and insurance fund and reported to the sixty-fourth legislative assembly.

SECTION 3. INFORMATION TECHNOLOGY PROJECTS FUNDING - BUSINESS PROCESS ANALYSIS. The workforce safety and insurance operations line item in section 1 of this Act includes the sum of \$4,725,000, which may only be spent for costs of conducting a business process analysis of up to \$500,000, as provided in section 4 of this Act and for appropriate information technology equipment, development, and operational costs of information technology projects as approved by workforce safety and insurance's executive steering board and the state information technology advisory committee.

SECTION 4. BUSINESS PROCESS ANALYSIS. During the 2013-14 interim, workforce safety and insurance shall contract with the information technology department and a private consultant to conduct a business process analysis of workforce safety and insurance. The analysis must include a review of the workforce safety and insurance business process and its use of information technology to support the business process and related information technology services."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Workforce Safety and Insurance	\$63,131,407					
Workforce Safety and Insurance operation		56,014,723	4,894,734	60,909,457	63,968,518	(3,059,061)
Accrued leave payments		1,662,965		1,662,965		1,662,965
Litigation Contingency			750,000	750,000	750,000	
Total all funds	\$63,131,407	\$57,677,688	\$5,644,734	\$63,322,422	\$64,718,518	(\$1,396,096)
Less estimated income	63,131,407	57,677,688	5,644,734	63,322,422	64,718,518	(1,396,096)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	250.14	250.14	0.00	250.14	254.14	(4.00)

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects and Business Process Analysis ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	(627,864)		4,725,000	(500,000)	(100,000)
Accrued leave payments						
Litigation Contingency			750,000			
Total all funds	\$1,397,598	(\$627,864)	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	(627,864)	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Conference Committee Changes
Workforce Safety and Insurance	
Workforce Safety and Insurance operation	4,894,734
Accrued leave payments	
Litigation Contingency	750,000
Total all funds	\$5,644,734
Less estimated income	5,644,734
General fund	\$0
FTE	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions, the same as the Senate version. The Conference Committee made available any remaining unused funds to be spent by Workforce Safety and Insurance on the development or operation of information technology projects. In the event of a successful civil action, the moneys from settlement or court awards are to be retained in the Workforce Safety and Insurance fund and reported to the 64th Legislative Assembly.

⁴ This amendment adds funding for information technology projects, the same as the Senate version. The agency may determine which projects are developed. The Conference Committee made available \$500,000 included of this funding to be used for a business process analysis to be conducted by Workforce Safety and Insurance, the Information Technology Department, and a private consultant.

⁵ This amendment removes the funding added by the House for the business process analysis. The Senate also removed this funding.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis. The Senate also removed this funding.

2013 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: Appropriations Education and Environment

Bill/Resolution No. HB 1021 as (re) engrossed

Date: 4-23-13

Roll Call Vote #: 1

Action Taken

- HOUSE accede to Senate amendments
- HOUSE accede to Senate amendments and further amend
- SENATE recede from Senate amendments
- SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on (H)/SJ page(s) 1544 -- 1546

- Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) HB 1021 was placed on the Seventh order of business on the calendar

Motion Made by: Sen. Robinson Seconded by: Sen. Wanzek

Representatives	Yes	No			Senators	Yes	No
Chairman Mark Dosch	X				Senator Terry Wanzek	X	
Rep. Bob Martinson	X				Senator Gary Lee	X	
Rep. Tracy Boe	X				Senator Larry Robinson	X	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep. Dosch Senate Carrier Sen. Wanzek

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

.02006

REPORT OF CONFERENCE COMMITTEE

HB 1021, as engrossed: Your conference committee (Sens. Wanzek, G. Lee, Robinson and Reps. Dosch, Martinson, Boe) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1544-1546, adopt amendments as follows, and place HB 1021 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1544-1546 of the House Journal and pages 1371-1373 of the Senate Journal and that Engrossed House Bill No. 1021 be amended as follows:

Page 1, line 2, after "insurance" insert "; to provide for litigation contingency and settlement funds; and to provide for information technology projects and business process analysis"

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	\$58,413,293	\$2,496,164	\$60,909,457
Accrued leave payments	0	1,662,965	1,662,965
Litigation contingency	0	<u>750,000</u>	<u>750,000</u>
Total special funds	\$58,413,293	\$4,909,129	\$63,322,422"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY - SETTLEMENT FUNDS - USE OF FUNDS. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project. Any remaining unused litigation funds may be used by workforce safety and insurance for the development or operation of information technology projects. Any moneys received by workforce safety and insurance resulting from a settlement or court awards relating to this project must be retained in the workforce safety and insurance fund and reported to the sixty-fourth legislative assembly.

SECTION 3. INFORMATION TECHNOLOGY PROJECTS FUNDING - BUSINESS PROCESS ANALYSIS. The workforce safety and insurance operations line item in section 1 of this Act includes the sum of \$4,725,000, which may only be spent for costs of conducting a business process analysis of up to \$500,000, as provided in section 4 of this Act and for appropriate information technology equipment, development, and operational costs of information technology projects as approved by workforce safety and insurance's executive steering board and the state information technology advisory committee.

SECTION 4. BUSINESS PROCESS ANALYSIS. During the 2013-14 interim, workforce safety and insurance shall contract with the information technology department and a private consultant to conduct a business process analysis of workforce safety and insurance. The analysis must include a review of the workforce safety and insurance business process and its use of information technology to support the business process and related information technology services."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Conference Committee Action

Executive Budget	House Version	Conference Committee	Conference Committee	Senate Version	Comparison to Senate
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			Changes	Version		
Workforce Safety and Insurance	\$63,131,407					
Workforce Safety and Insurance operation		56,014,723	4,894,734	60,909,457	63,968,518	(3,059,061)
Accrued leave payments		1,662,965		1,662,965		1,662,965
Litigation Contingency			750,000	750,000	750,000	
Total all funds	\$63,131,407	\$57,677,688	\$5,644,734	\$63,322,422	\$64,718,518	(\$1,396,096)
Less estimated income	63,131,407	57,677,688	5,644,734	63,322,422	64,718,518	(1,396,096)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	250.14	250.14	0.00	250.14	254.14	(4.00)

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects and Business Process Analysis ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	(627,864)		4,725,000	(500,000)	(100,000)
Accrued leave payments			750,000			
Litigation Contingency						
Total all funds	\$1,397,598	(\$627,864)	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	(627,864)	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Conference Committee Changes
Workforce Safety and Insurance	
Workforce Safety and Insurance operation	4,894,734
Accrued leave payments	
Litigation Contingency	750,000
Total all funds	\$5,644,734
Less estimated income	5,644,734
General fund	\$0
FTE	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions, the same as the Senate version. The Conference Committee made available any remaining unused funds to be spent by Workforce Safety and Insurance on the development or operation of information technology projects. In the event of a successful civil action, the moneys from settlement or court awards are to be retained in the Workforce Safety and Insurance fund and reported to the 64th Legislative Assembly.

⁴ This amendment adds funding for information technology projects, the same as the Senate version. The agency may determine which projects are developed. The Conference Committee made available \$500,000 included of this funding to be used for a business process analysis to be conducted by Workforce Safety and Insurance, the Information Technology Department, and a private consultant.

⁵ This amendment removes the funding added by the House for the business process analysis. The Senate also removed this funding.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis. The Senate also removed this funding.

Engrossed HB 1021 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

HB 1021

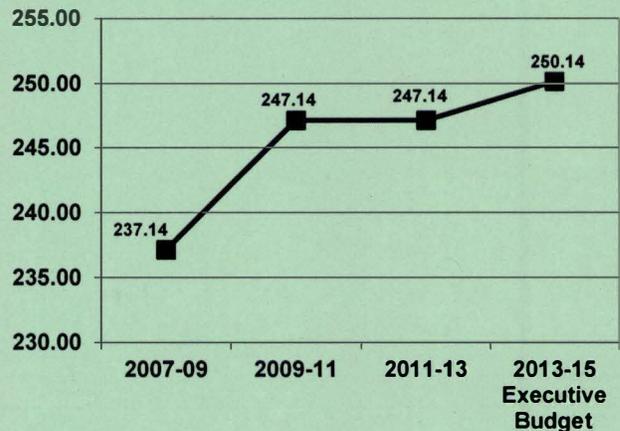
**Department 485 - Workforce Safety and Insurance
 House Bill No. 1021**

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	250.14	\$0	\$63,131,407	\$63,131,407
2011-13 Legislative Appropriations	247.14	0	58,413,293	58,413,293
Increase (Decrease)	3.00	\$0	\$4,718,114	\$4,718,114

Agency Funding



FTE Positions



■ General Fund □ Other Funds

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds the following 7 new FTE positions:			
• Claims adjuster II (including \$10,440 of related operating expenses)		\$167,294	\$167,294
• Claims supervisor (including \$13,190 of related operating expenses)		212,707	212,707
• Vocational rehabilitation supervisor (including \$17,050 of related operating expenses)		199,295	199,295
• Medical case manager supervisor (including \$17,050 of related operating expenses)		213,689	213,689
• Underwriter (including \$10,690 of related operating expenses)		167,543	167,543
• Compliance officer (including \$13,590 of related operating expenses)		159,849	159,849
• Loss control specialist (including \$14,050 of related operating expenses)		183,340	183,340
Total		\$1,303,717	\$1,303,717
2. Transfers 4 FTE positions to the Information Technology Department		(\$753,274)	(\$753,274)
3. Adjusts funding for operating expenses to reflect inflationary adjustments and other budget changes for the 2013-15 biennium		(\$4,779,795)	(\$4,779,795)
4. Adds funding for data warehouse project		\$2,000,000	\$2,000,000
5. Adds funding for web portal project		\$1,500,000	\$1,500,000
6. Adds funding for policy replacement project		\$1,225,000	\$1,225,000
7. Removes 2011-13 funding for back-up generator		(\$472,818)	(\$472,818)

8. Provides funding for state employee salary increases of which \$1,970,704 relates to performance increases and \$762,942 is for market equity adjustments	\$2,733,646	\$2,733,646
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Continuing Appropriations

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

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

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

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

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

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

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

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

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2080 - Premium Payments - Workforce Safety and Insurance may require the premium, including an advance premium, within any reasonable time in order to secure the payment of premium by the employer. If the employer fails to make payment of premium(s), the employer is considered uninsured and the account is in delinquency status. Workforce Safety and Insurance may then assess penalties and fees accordingly and may assess a penalty of \$2,000 each premium period the employer is uninsured.

HB 1021
1/17/13
Attachment 1



Workforce Safety & Insurance

Putting Safety to Work



Testimony on House Bill 1021

House Appropriations Committee

January 17, 2013

2013 House Bill No. 1021
Testimony before the House Appropriations Committee-Education and Environment Division
Presented by: Bryan Klipfel, WSI Director and Cindy Ternes, WSI Director of Finance
Workforce Safety & Insurance
January 17, 2013

Mr. Chairman and Members of the Committee:

Good morning. My name is Bryan Klipfel, Director of Workforce Safety & Insurance (WSI). We are here to testify before the committee to provide you a brief background of WSI, the current positives as well as the ongoing challenges with the existing workers compensation environment, and to ask for your support of WSI's biennial appropriations, House Bill 1021. On behalf of WSI, we would like to thank the Chairman and the Committee for providing the agency the opportunity to testify today.

WSI Background

Workforce Safety & Insurance (WSI) was established in 1919 as an exclusive state fund for workers compensation insurance. Today, North Dakota is one of four remaining monopolistic workers compensation systems in the United States. The others are Ohio, Washington, and Wyoming.

WSI, a state entity, functions as the sole provider of workers compensation insurance in the state of North Dakota. There are no provisions for self-insurance or private insurance for purposes of workers compensation. If a business has significant contacts in North Dakota, they must insure with WSI.

WSI has 247.14 authorized full-time employees (FTEs). Claims for occupational injury and disease are filed with WSI and adjudicated by in-house agency claim adjustors. Currently, WSI processes approximately 24,600 claims per year. WSI services about 24,000 employers with a covered workforce of 370,000 workers. Annual earned premiums amount to \$250 million per year.

WSI is a special fund agency funded solely by employer premiums, which provides for the payment of medical and wage loss benefits as well as administrative expenses. WSI receives no General Fund dollars.

With that brief background, I will now go into some of the positives of North Dakota's workers compensation environment.

WSI Positives

Good Benefits. North Dakota's benefit structure is set by statute and compares quite favorably to other jurisdictions. Benefits provided include:

- Lifetime, deductible-free medical benefits related to the work injury.
- Weekly disability benefits ranging up to a maximum of \$995/week (125% of North Dakota's State Average Weekly Wage (SAWW) which is \$796 per week).
- A post-retirement benefit (additional benefit payable-ABP) when disability benefits cease at time of eligibility for social security retirement benefits.
- Cost of living adjustments (COLAS). Long-term disability recipients are eligible for COLAS after 3 years and receive increases equivalent to the increase in the SAWW. This year's COLA was 9.9%. COLAs have averaged 5.0% over the last decade and 6.1% over the last five years.
- Vocational Rehabilitation benefits that provide for up to two years or more of retraining.
- Death benefits of up to \$300,000.

Additionally, numerous benefit and policy provisions have been passed by previous Legislative Assemblies that have served to enhance the benefits and services provided to injured workers (**see Attachment A**).

Good Payor. Based on a recent medical and hospital fee schedule analysis, WSI reimbursement for physician services equates to 189% of Medicare reimbursements and WSI reimbursements for hospital services ranges between 155% (Inpatient) and 169% (Outpatient) of Medicare reimbursements.

Low Premiums. Over the last decade, and before any dividends are issued, North Dakota has continually been ranked the lowest premium state in the country (2012 Oregon Premium Study). Statewide premium rate levels have been stable with small inflationary increases.

North Dakota rates are the lowest in the country and nearly 50% below the median state in the study.

Neighbor states rates compared to North Dakota:

South Dakota—1.9x higher (3.8x higher with 50% dividend factored in)

Minnesota—2.0x higher (4.0x higher with 50% dividend factored in)

Montana—2.5x higher (5.0x higher with 50% dividend factored in)

Other monopolies rates compared to North Dakota:

Wyoming—1.7x higher (3.4x higher with 50% dividend factored in)

Washington—2.1x higher (4.2x higher with 50% dividend factored in)

Ohio—1.8x higher (3.6x higher with 50% dividend factored in)

Low incidence of time-loss claims. Time-loss claims account for only 12% of the total claims in North Dakota compared to 20% in other jurisdictions. North Dakota employees have a good work ethic, and if they are injured, they want to get back to work. WSI's Return to Work programs greatly assist these efforts.

Safety and Loss Control. WSI has a dedicated safety/loss control unit and provides a number of safety discount programs. Employers meeting the requirements receive additional discounts in premium.

Administratively efficient. WSI has an 8.2% administrative expense ratio (FY 2012). Workers' compensation industry expense ratios typically range between 25% and 35%. As a monopoly, North Dakota does not incur the marketing, broker, tax, and other fees incurred by other private workers compensation insurers.

Unexpended appropriations are returned to the WSI Fund. Historically, WSI staff have been good financial stewards returning to the WSI fund unexpended appropriations in the amount of \$10.4 million in the 2007-09 biennium, \$9.3 million in the 2009-11 biennium and an estimated \$4.5 million for the current 2011-13 biennium.

Low litigation. Overall litigation requests represent less than one percent of total claims filed.

Good Service and Overall Customer Satisfaction. Periodic injured worker and employer customer satisfaction surveys independently conducted for WSI consistently rank in the "high" satisfaction category, with ratings typically over four on a scale of one to five.

Financially Stable. A financially secure fund benefits both injured workers and businesses.

Favorable investment returns have resulted in additional surplus growth. Fund investment returns for Fiscal Years 2010, 2011, and 2012 were 11.94%, 13.26%, and 6.14% respectively. The current FY 2013 year-to-date return from July through November 2012 is 5.48%.

State law outlines the required surplus levels which are 20% to 40% of reserve liabilities. WSI's surplus ratio (as of 11/30/12) is at 50% (**see Attachment B**). To the extent WSI exceeds statutory

surplus requirements dividends must be issued to policyholders. Total dividends declared in seven out of the past eight years have amounted to nearly \$600 million ranging between 40% and 62%, including an approximately \$140 million dividend for the current policy year.

Recent annual financial audits conducted by an external firm have been unqualified and free of findings.

As you can see there are many positives with the current system. With that said, we do have challenges as well and I will briefly highlight a few of those for you at this time.

WSI Challenges

Increased Workloads. The increased economic activity within the state has resulted in increased staff workloads. WSI conducted a workload assessment for many of the departments within the agency. A sampling of workload indicator information comparing 2012 workloads to 2008 workloads is as follows:

<u>Workload Measures</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>% inc 08-12</u>
Number of Claims Filed	21,061	20,544	19,388	21,693	24,643	17.01%
Claims filed with out-of-state address	2,604	2,766	2,689	3,619	5,383	106.72%
Documents Imaged	646,082	724,036	755,471	770,864	778,175	20.45%
Total Bills Entered	168,815	173,186	180,640	188,615	217,923	29.09%
Avg. Number of Calls per Day	493	495	509	543	668	35.50%
Number of Active Employer Accounts	19,777	19,946	20,316	21,552	23,812	20.40%
New Employer Applications Received	1,894	1,794	2,008	3,082	4,931	160.35%

FY 12 figures are as of 6/30/2012

In summarizing the information, workloads have generally increased between 17% and 35%. The effects of the heavier workloads are compounded by the overall increase in business complexity.

Increased Claim Complexity. Claim processing is becoming more complex. Claims with out-of-state addresses used to account for approximately 12% of all claims. Today, approximately 22% of all claims have out-of-state addresses. Managing the medical, return to work, and vocational rehabilitation for out-of-state claims, and working with out of state medical providers requires additional time and resources.

Increased Underwriting Complexity. Policyholder Services and Underwriting is becoming more complex. The coverage, compliance, and jurisdictional determinations for out of state companies have increased significantly. Delinquent premiums associated with out of state companies have increased as well, making the collections process more problematic.

Managing the more complex and increased workloads with existing staffing levels while at the same time trying to maintain an acceptable level of service has been a significant challenge. In reviewing periodic performance measurements there has been deterioration in claim and bill processing times, an increase in the number of employers that are not in good standing, and an increase in WSI staff turnover. To help mitigate and reverse these trends, WSI has hired a number of temporary employees within various departments. Additionally, through attrition and turnover, WSI evaluates FTE positions as they come open to determine whether allocation elsewhere is necessary.

Safety Focus. Ensuring employers maintain a continued focus on safety in a low premium/high dividend environment continues to be challenging. In addition, the increased business activity has resulted in a demand for more specialized safety and loss control services.

Technology. WSI is in the midst of a multi-year system replacement project. Effective December 31, 2012 one of the major vendors on the project, Aon, was relieved of their duties with their contract being neither renewed nor extended. From here, WSI plans to find a new partner to fill Aon's role and to finish the project. The ongoing challenge will be to continue to work towards a successful implementation.

We hope this helps you better understand what WSI does, the positives that exist and the challenges we are currently facing. North Dakota's workers' compensation system today remains stable, is continually improving, and functioning very well as we strive to meet the challenges brought forth by our economic growth.

Given the challenges, as well as the more recent developments relating to technology, some of WSI's budget priorities have changed from what the agency submitted more than six months ago.

At this point, I would like to introduce WSI's Director of Finance, Cindy Ternes, to highlight the details of WSI's proposed budget for the committee.

Good morning. I want to thank you again for your time and attention. It is good to be here.

Presented for your consideration is WSI's administrative budget recommendation of \$63,131,407 for the 2013-2015 biennium, an increase of 8% over the previous biennial budget of \$58,413,293. As indicated earlier, this budget contains no general fund dollars.

	Current Appropriation 2011-2013	New FTE's	FTE Transfer to ITD 2013-15	Base Appropriation Changes 2013-2015	Recommended Appropriation 2013-15	% of Change
Salaries, Wages & Benefits	37,994,329	1,182,665	(768,233)	4,795,234	43,203,995	13.7%
Operating Expense	16,952,715	96,060	-	1,653,638	18,702,412	10.3%
AIM Project	3,000,000	-	-	(1,775,000)	1,225,000	-59.2%
Capital Assets	466,250	-	-	(466,250)	-	-100.0%
Agency Appropriation	58,413,293	1,278,725	(768,233)	4,207,622	63,131,407	8.1%
FTE's	247.14	7.0	(4.0)	-	250.14	1.2%
Temp Employees	15.00	-	-	-	15.00	0.0%

Salaries, Wages & Benefits

Salaries, wages and benefits show an increase of 13.7% over the 2011-2013 biennium. This increase includes funding of \$1.2 million for seven additional FTE's. Bryan disclosed the significant workload increase WSI is experiencing. WSI requested additional FTE's to help handle this workload so our customers continue to receive the service they are accustomed to.

Four of WSI's FTE's are being transferred to the State ITD department. The current budget recommendation provides a FTE authority of 250.14, an increase of 1.2% over the prior biennium.

Operating Expense The budget recommendation contains an increase of \$1.7 million in operating expense. This is an increase of 10% over the current biennium.

Most of WSI's technology services (i.e. servers, back-up recovery, file storage), has been transferred to the State ITD department. The cost of these services is estimated at \$1.9 million, which is \$1.1 million more than the prior biennium when these services were housed within WSI.

One-time major items in this budget include:

- o Web Portal, Data Warehousing, and Policy Replacement

The Web Portal and Data Warehousing projects were previously scheduled for the 2011-13 biennium with funding of \$1.5 and \$2 million, respectively. These projects have been delayed due to resources being used on the claims system project. Funding for both projects is included in the Operating Expense line item and is being requested to be re-appropriated into the 2013-15 biennium.

System Replacement Project (AIM Project) WSI's IT initiatives have changed. Aon's contract has not been renewed and WSI is reviewing its options for moving forward with the computer replacement program. At this time, WSI has \$1.2 million included in the budget recommendation for work on the employer/policy side of the project. A second option would be to seek enough funding to complete both policy and claims. This would require a larger appropriation.

Capital Assets WSI requested funding in the current biennium to install a back-up generator system for the Century Center office building. This has been completed and is fully operational. This full building back-up generator system provides essential power for all areas of the building including geothermal heating and cooling systems, computer systems and life safety systems. No new major capital assets are being planned in the current biennium.

FTE's & Temporary Employees WSI currently has legislative authority for 247.14 FTE. As previously discussed, WSI is experiencing significant workload increases due to the number of employers and employees in the state. These increased workloads require additional employees. WSI's budget recommendation includes funding for seven additional FTE's. The appropriation was reduced by \$770,000 for the four FTE's being transferred over to ITD. This leaves WSI a net gain of three FTE's.

WSI has been and will continue to hire temporary employees to ease the workload burden. When the budget was submitted in the late summer of 2012, WSI had 15 temporary employees on board. Today, WSI has either hired or is anticipating the hiring of an additional seventeen temporary employees.

Thank you again for your time today and your consideration of WSI's biennial appropriation request. At this time, we would be glad to answer any questions that you may have.

Historical Workers Compensation Benefit Enhancement Legislation

2011 Legislation

- Establishes a vocational rehabilitation grant program (HB 1050)
- Provides up to two years of benefits for workers injured within two years of their presumed retirement date (HB 1051)
- Reduces the threshold for percentage of whole body impairment to qualify for a PPI award (HB 1055)
- Increases permanent partial impairment awards (multipliers) for the lower impairment levels (HB 1055)
- Expands eligibility for the scholarship program (SB 2114)
- Increases the annual cap that the organization can award in scholarships from \$300,000 to \$500,000 (SB 2114)
- Increases the maximum scholarship amount payable per applicant from \$4,000 per year to \$10,000 per year (SB 2114)
- Streamlines the personal reimbursement process for injured workers (SB 2114)
- Expands eligibility for the educational revolving loan fund (SB 2114)

2009 Legislation

- Provides for payment of eyeglasses and other devices if an injury occurs and damages those prescriptive devices (HB 1061)
- Provides for an extension of an additional 20 weeks to the current 104-week limit for retraining programs (HB 1062)
- Increases the eligibility pool for job search benefits (HB 1062)
- Establishes pilot program to assess new methods of providing rehabilitation services (HB 1062)
- Establishes parameters of liability for medical expenses paid for treatment of unknown pre-existing conditions (HB 1063)
- Shortens eligibility period for cost of living adjustments (COLAs) for pre-1/1/06 total disability claims from 7 to 3 years (HB 1064)
- Expands COLA eligibility for pre-1/1/06 claims to include both permanent total and temporary total benefit recipients (HB 1064)
- Outlines coverage parameters for emergency volunteer healthcare practitioners (HB 1073)
- Increases the maximum disability benefit from 110% to 125% of the state's average weekly wage (SAWW) (HB 1101)
- Increases lifetime cap on death benefits from \$250,000 to \$300,000 (HB 1101)
- Increases burial expense from \$6,500 to \$10,000 and one-time payments for spouses and dependent children (HB 1101)
- Increases the dependency allowance from \$10 to \$15 per week per child (HB 1101)
- Increases pre-acceptance disability benefits from the minimum benefit rate to the standard rate (HB 1101)
- Increases travel and other personal reimbursements on aggravation claims to 100% (HB 1101)
- Provides up to six months benefits for the surviving spouse of a PTD that provided home health care during disability (HB 1455)
- Provides that OAH conduct WSI hearings and that OAH's decisions are final (HB 1464)
- Provides for a study of the post-retirement benefit structure to be conducted during the interim (HB 1525)
- Provides that WSI outline reasons for disregarding a treating doctor's opinion (HB 1561)
- Resolution to study workers' compensation laws regarding pre-existing injuries (HCR 3008)
- Resolution to study injured worker access to legal representation (HCR 3013)
- Establishes a clear and convincing evidence standard to rebut the presumption clause (SB 2055)
- Provides door to door reimbursement of mileage to attend medical appointments (SB 2056)
- Establishes a PPI schedule award for the partial loss of eye sight (SB 2057)
- Distinguishes an independent medical exam (IME) from an independent medical record review (IMR) (SB 2058)
- Provides for attorney fees and costs for review of a claim after OIR completion (SB 2059)
- Provides for a rehab training expense for maintaining a second household or traveling more than 25 miles to school (SB 2419)
- Provides that WSI make a reasonable effort to designate an IME doctor within a certain radius of worker's residence (SB 2431)
- Shortens the time period in which an injured worker can request a change of doctor (SB 2432)
- Provides that WSI notify injured workers of work search obligations (SB 2433)

2007 Legislation

- Provided funds for the purchase or adaptation of motor vehicles for the catastrophically injured (HB 1038)
- Provided increased post-retirement additional benefits for certain injured workers (HB 1038)
- Expanded the population that is eligible for death benefits (HB 1038)
- Shortened eligibility period for cost of living adjustments (COLAs) from seven years to three years (HB 1038)
- Expanded the eligibility pool for WSI's revolving loan fund (HB 1038)
- Provided inflation adjustment for long-term Temporary Partial Disability benefit recipients (HB 1140)
- Provided funds for the purchase or adaptation of motor vehicles for catastrophic and exceptional circumstance claims (HB 1411)
- Provided benefits for firefighters and law enforcement officers in the event of a false positive test (SB 2042)

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 an injured worker educational revolving loan fund (HB 1491)

Increased the non-dependency death award (HB 1506)

Increased post-retirement additional benefit payments (SB 2351)

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)

2001 Legislation

Increased certain permanent partial impairment awards (HB 1161)

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)

1997 Legislation

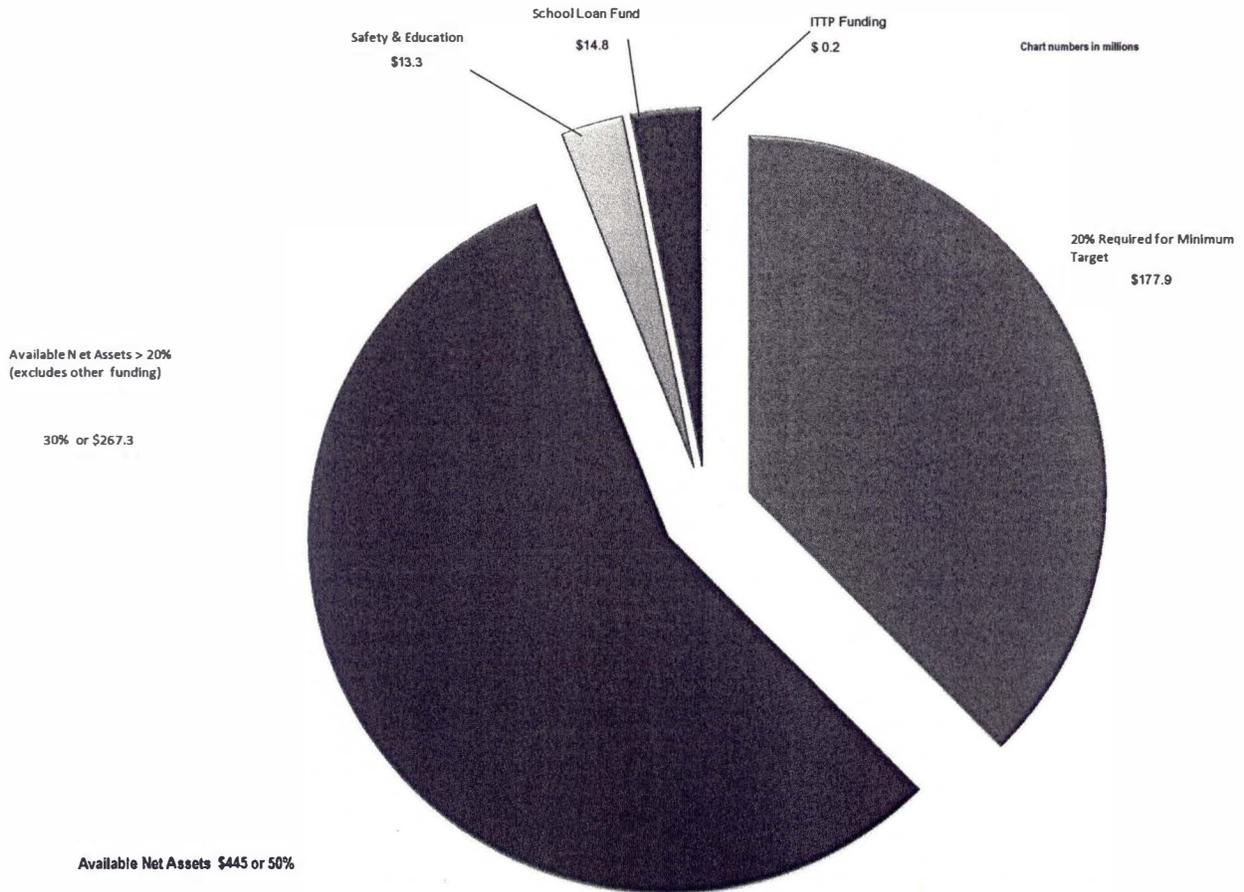
Increased weekly death benefits for surviving spouses (SB 2116)

Created the Guardian Scholarship program (SB 2116)

Established a post-retirement additional benefit (SB 2125)

Net Asset Detail November 30, 2012

Attachment B



	Actual June 2011	Actual June 2012	Y-T-D Nov 2012
NET ASSETS or "SURPLUS"	\$ 393,127,850	\$ 374,604,802	\$ 473,631,583
Estimated Discounted Financial Reserves	814,023,000	865,645,000	889,713,945
Net Assets (Surplus)	\$ 393,127,850	\$ 374,604,802	\$ 473,631,583
2009 HB 1035 Allowable Deductions from Net Assets (Surplus)			
Safety & Education Grants	8,561,019	18,406,760	13,300,692
Revolving School Loan Fund	14,877,759	14,842,186	14,831,686
ITTP/AIM Update	3,035,684	708,652	221,707
Total Exclusions from Net Assets (Surplus)	26,474,462	33,955,598	28,354,085
Available Fund Surplus	\$ 366,653,388	\$ 340,649,204	\$ 445,277,498
	45.0%	39.4%	50.0%

HB 1021
1/17/13
Attachment:

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1021

Page 1, after line 9, insert:

“Agency Operations	\$58,413,293	\$4,718,114	\$63,131,407”
“Contingency for Legal Fees and costs		\$750,000	\$750,000”

Page 1, line 10, overstrike “\$4,718,114” and insert immediately thereafter “\$5,468,114”

Page 1, line 10, overstrike \$63,131,407” and insert immediately thereafter “\$63,881,407”

Re-number accordingly

Statement of Purpose: Provide a contingency for legal fees and costs, including litigation, regarding Workforce Safety and Insurance’s Information Technology project contract that expired on December 31, 2012.

HB 1021
Feb 14
(1)

WORKFORCE SAFETY & INSURANCE

1. A detailed listing of the 16 FTE that you requested in your budget including the work that each would do. Please also note the 7 that were recommended in the Governor's budget.

	Title	Job Description
*	Claim Adjuster II	Work involves the processing and payment of claims for injured employees.
	Claim Adjuster II	Work involves the processing and payment of claims for injured employees.
*	Claims Supervisor	Work involves managing and overseeing Claim Adjuster units; providing training, education and supervision as required.
	Customer Service Rep	Work involves answering phones and handling inquiries.
	Vocational Rehab Consultant	Work involves establishing vocational rehabilitation plans for injured employees.
*	Vocational Rehab Supervisor	Work involves managing and overseeing Vocational Rehabilitation Consultants; providing training, education and supervision as required.
	Med Case Manager	Work involves coordinating medical care for injured employees.
*	Med Case Manager Supervisor	Work involves managing and overseeing activities of the Medical Case Managers; providing training, education and supervision as required.
	Budget Specialist I	Work involves daily reconciliation of money market & checking accounts, processing of manual checks and credit card payments and researching fraud disputes. Position is responsible for budget reports, Board of Director reimbursement and per diem payments, and other duties as assigned.
	Attorney	Work involves providing legal advice to all departments in the agency; including reviewing claim and policy decisions, claim appeal processes, testifying at administrative rules hearings, reviewing contracts, litigating subrogation and collection matters, and providing management and oversight of outside contract litigation counsel.
*	Underwriter	Work involves underwriting workers compensation insurance accounts and auditing existing accounts to assess coverage requirements and premium charges.
	Underwriter	Work involves underwriting workers compensation insurance accounts and auditing existing accounts to assess coverage requirements and premium charges.
*	Compliance Officer	Work involves conducting compliance operations and inspections to ensure compliance with workers compensation coverage requirements.
*	Loss Control Specialist	Work involves conducting safety assessments and consulting with employers in regards to implementing effective safety programs.
	Loss Control Admin Assistant	Work involves activities associated with administering office support functions for a variety of Loss Control programs.
	IT Help Desk	Work involves initiating and monitoring daily operational tasks related to production systems, providing support for WSI employees on technological questions or issues they have with business applications, computer hardware, desktop software, printers, etc., as needed, and providing assistance to IT Technicians setting up systems for employees as requested.

*Indicates those positions recommended in the Governor's budget.

Our staff is overworked and we need the extra employees to complete our business function. We are having employees resign because of workload issues. We recently had two claims adjusters, one medical nurse case manager, and one vocational rehabilitation consultant resign. Our original workload analysis showed that with the increase of business at WSI we should have an additional 32 employees. We paired that down to 16 additional employees for the budget. It was then cut down to eight. We still need to perform our business. We have been relying on a large number of temporary employees to do this.

Claims Supervisor

WSI's budget was submitted in August 2012. We have made some personnel changes and found the dollars in our current budget to complete the process.

Due to the tremendous increase in workloads for our claims adjusters, I authorized hiring an additional five temporary claims adjusters in September. We had two temporary claims adjusters hired previously. This gave us **seven** temporary claims adjusters to supplement our current claims staff. We created an additional claims unit. Because of the additional staff, we needed an additional supervisor. On October 1, 2012 we transferred a claims adjuster FTE to a claims supervisor to supervise this new unit.

In our initial 2013-2015 budget we asked for the higher dollar amount of a claims supervisor. Subsequent to WSI submitting the initial budget request we utilized a vacancy to fill the claims supervisor position. To the extent the request is granted, our intentions moving forward would be to utilize this fte for an existing temporary claims adjuster position.

Vocational Rehab Supervisor and Medical Case Manager Supervisor

With the increase in workloads and additional claims staff, there is need for more medical case and vocational rehabilitation consultants.

WSI's Return to Work Services Department consists of Vocational Rehabilitation, Medical Nurse Case Management, Preferred Worker Program, School Monitoring, contracted onsite medical case management, and contracted out of state vocational case management.

WSI's Director of Return to Work Services currently has eighteen direct reports of which include eleven vocational rehab case managers, one medical nurse case management supervisor, one medical case manager, one preferred worker specialist, three administrative assistants, and one school coordinator. In addition, the Director of Return to Work Services is responsible for onsite case management contracts with six in-state facilities and two out of state vocational case management vendors. Effectively, this is the equivalent of 26 direct reports.

The requests for the Vocational Rehab and Nurse Case Management Supervisor positions will allow us to better supervise and train the case managers in order to more efficiently manage these increased workloads. This has evolved as a result of resources being dedicated to caseloads as the workloads have increased. We can also utilize temporary staff to help with caseloads but this solution becomes problematic at the supervisory level due to the lack of permanency with the position.

Open vocational rehab cases are at record levels. Compounding the effects of the increased workloads is the overall increase in claim complexity. Vocational and Medical Case Management components of these claims has become dramatically more complex. Managing the medical, return to work, and vocational rehabilitation for out of state claims and working with out of state medical providers requires additional time and resources.

Other positions requested

Underwriter, Compliance Officer, and Loss Control Specialists are part of Employer Services Division. As indicated in further detail below, there has been a tremendous increase in their workloads due to the booming ND economy.

7. Information on the 4 FTE that are being transferred to ITD – what work they did. And what IT work/staff remains at WSI after these transfers.

WSI's IT positions are listed below along with the corresponding job descriptions. With the recent change in WSI's system replacement plan, WSI is evaluating both current and long-term needs. Therefore, WSI has not identified which four positions will be transferring to ITD.

WSI's IT department is responsible to maintain the core business applications used by the agency, including the Claims Management System (CMS), Work Manager (WM) system-developed primarily to support the Injury Services department of WSI, and the Policyholder Information Computer System (PICS) -developed primarily to support the Employer Services department of WSI.

The IT technology services team provides technical support and help desk services to WSI. This support is for computer hardware, desktop software, printers, etc., that are used within the agency. The help desk answers over 600 calls a month to support whatever questions or issues a user is having.

Support is also given to WSI users in the main Century Plaza office building plus the 8 remote office locations in ND. This includes over 300 desktop and notebook computers for users, training rooms, conference rooms and checkout purposes.

The IT department is also responsible for various online applications including:

- the File Net document imaging system which provides access to documents ,
- multiple interfaces to import medical invoices and pharmacy bills electronically,
- online claim reporting and online insurance application systems,
- WSI's intranet,
- Microsoft Dynamics Great Plains accounting system,
- creation and maintenance of management reports, and
- online employer account access.

The IT department works closely with other department managers, creating and maintaining specialized reports and processing ad hoc queries as requested.

With plans to replace the current claims and policy systems, only minimal enhancements have been done to these systems over the past four to five years. These systems are now being relied upon to fill our current and near future needs, until a better solution is found. WSI's IT department is working hard to stabilize and update the current systems.

WSI's budget was reduced by \$753,275 for the transfer of the 4.00 FTE IT positions. This funding was not included in WSI's operations budget.

WSI IT Classification	Quantity	Job Description
Customer Tech Support Specialist	1	Answers and responds to centralized service desk telephone calls, email, and personnel requests for technical support. Assigns, documents, tracks and monitors requests for technical support to ensure a timely resolution. Maintains, analyzes, troubleshoots, and repairs computer systems, hardware, and computer peripherals.
Computer & Network Specialist	2	Provides technical support in the planning, design, installation, and maintenance of computer workstations, printers, etc., and local area network operating systems. Install and configure remote access applications for electronic mail, internet and network shared devices and files. Establish and maintain documentation files of computer hardware and software configurations. Train users on fundamentals of new operating systems, software applications, devices, and remote accessibility.
Programmer Analyst	8	Formulates plans for design and development of application systems. Designs and develops a programming solution based on available system resources and programming capability, coordinates with users and other system support resource to ensure compatibility and integrity of applications. Performs routine application maintenance according to user requirements and to provide technical updates.
Business Analyst	3	Collaborates with users to gather, identify, define, prioritize, and document business requirements, opportunities, and/or problems for new development projects, business process redesign, current business application enhancement, or current business problem/issue resolution. Identify, manage, monitor, and respond to requirement gaps, conflicts, and risks. Translate business requirements into functional specifications for information technology or other solutions.
Project Manager	1	Assist with development of project business cases; develop the project charter and gain approval or assist project sponsor or initial project team with development of the charter and approval process; conduct project kick-off meetings. Develop and implement the project plan to include determining the scope and deliverables of the project, identifying the work required to successfully complete the project, establishing schedules, preparing a project budget and staffing plan, identifying and assessing risks and issues, and gaining acceptance of the plan. Manage the project to ensure project is completed within budget, schedule, scope and quality.

7. Change package A-A-1 is a minus \$4,779,795. The narrative for A-A-1 just talks about the increase in employers/claims/etc.– so doesn't match up with a decrease in money. Can you itemize what budget items decreased/increased in that change package to get to the -\$4,779,795.

The increase in employers and claims requires additional processing help which was included in the FTE request.

Line Item	Change from Prior Biennium	
Temporary Salaries	60,000	
Travel	15,485	
IT Software & Supplies	(3,102,622)	A
Professional Supplies	(28,215)	
Office Supplies	112,667	
Postage	110,732	
Printing	(2,870)	
IT Equipment < 5000	61,464	
Rental/Leases	145,904	
IT Data Processing	1,135,500	B
IT Communications	24,530	
IT Contractual Services	(4,087,950)	C
Professional Development	(8,781)	
Operating Fess & Services	(30,940)	
Professional Fees	<u>815,301</u>	
	(4,779,795)	

- A. The reduction in IT Software & Supplies was mainly due to the planned completion of the system replacement. In the 11-13 biennium, \$2.5 million was appropriated for this systems under this line item. WSI reduced this request to zero in the 13-15 biennium.

The IBM FileNet maintenance costs of \$285,000 were reduced to zero in the 13-15 biennium as these programs are being hosted by ITD.

Other reductions included the Office Services department removing the OCR software user fees of \$19,000 per year as this service was to be included in the system replacement. This was budgeted for \$38,000 in the 11-13 biennium and reduced to zero in the 13-15 biennium. Now that WSI is working to strengthen its old system for the current time, these fees will be due at least the first year of the 13-15 biennium.

Human Resource Halogen system hosting and support of \$13,800 in the 11-13 biennium which was reduced to zero in the 13-15 biennium as WSI is transferring to the PeopleSoft HRMS system.

- B. The increase in the IT Data Processing line item is the direct result of more of WSI's programs being housed at ITD and the related costs charged by ITD for these services.

- C. The reduction of IT Contractual Services is a combination of the Web Portal (\$1.5 million), and the Data Warehouse (\$1.6 million), and the Policy system (\$1.225 million) being categorized under one-time items in the 13-15 budget.

In the 11-13 biennium, WSI had \$180,000 per year budgeted for two ITD employees. The total amount of \$360,000 was reduced to zero in the 13-15 biennium. AS WSI did not contemplate any further need for ITD employees, WSI did not request any funding to pay ITD for employees in the 13-15 biennium.

Other reductions were found in the Medical Services department. A medical bill review program that was going to be implemented was budgeted for \$34,000 in the 11-13 biennium. As this program is no longer going to be initiated, this funding was reduced to zero in the 13-15 biennium.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1020

Page 1, line 2, replace "section" with "sections"

Page 1, line 3, after "6-09.5-03" insert "and 54-35-02.7"

Page 1, line 3, after "fund" insert "and the water-related topics overview committee"

Page 3, after line 14, insert:

"SECTION 8. AMENDMENT. Section 54-35-02.7 of the North Dakota Century Code is amended and reenacted as follows:

54-35-02.7. (Effective through November 30, 2013) Water-related topics overview committee - Duties.

The legislative management, during each interim, shall appoint a water-related topics overview committee in the same manner as the legislative management appoints other interim committees. The committee must meet quarterly and is responsible for legislative overview of water-related topics and related matters and for any necessary discussions with adjacent states on water-related topics. ~~During the 2011-12 interim, the~~ The committee shall review the state's irrigation laws and rules and evaluate the process of the prioritization of water projects and prepare a schedule of priorities with respect to water projects. The state water commission and state engineer shall assist the committee in developing the schedule of priorities. The committee consists of thirteen members and the legislative management shall designate the chairman of the committee. The committee shall operate according to the statutes and procedure governing the operation of other legislative management interim committees and include the schedule of priorities with its final report to the legislative management.

(Effective after November 30, 2013) Garrison diversion overview. The legislative management is responsible for legislative overview of the Garrison diversion project and related matters and for any necessary discussions with adjacent states on water-related topics."

Renumber accordingly

handout 1
fm C.C.
13 Feb.

PROPOSED TRANSFER OF WSI FTE'S TO ITD

- When the WSI budget was prepared, it was anticipated that the agency claims system replacement project would be completed. As you have heard, we have not renewed our contract with our vendor, Aon, who was to provide WSI with a COTS product to handle claims.
 - Consequently, WSI has gone back to our previous claims management system. This is an in-house developed computer system. WSI programmers are used to keep this system running, maintained and updated. For example, any Legislative approved benefit changes would have to be programmed to pay the injured worker the appropriate benefit.
 - In our original budget, four information technology FTE's were transferred to ITD. No additional dollars were placed in our budget to contract with ITD for the four transferred employees to continue to do work at WSI. This will need to be funded from WSI's existing budget.
-
- The current proposal is to transfer four additional (8 total) WSI information technology employees to ITD.
 - ITD estimates that to have one of their employees contracted back to an agency full time would amount to approximately 75% of billable time at ITD rates. This would take into account the vacation days, holidays, training days, etc.

Handout 2
for L.C.
13 Feb.

	ITD Cost Billable to WSI **2013-15 ITD Bill Rates		Additional Cost to WSI
	WSI Cost 2013-15 Biennium Salary w/Fringe	ITD Bill Rate	
Programmer Analysts			
Program Analyst I	142,569	69	215,280
Program Analyst II	150,820	75	234,000
Program Analyst II	151,454	75	234,000
Senior Program Analyst	264,521	94	293,280
Subset # 1	709,365		976,560
Program Analyst I	129,187	69	215,280
Program Analyst II	170,577	75	234,000
Program Analyst III	203,343	83	258,960
Program Analyst III	210,181	83	258,960
Subset # 2	713,289		967,200
Totals	1,422,654		1,943,760
			521,106

WSI COST INFORMATION (SEE ABOVE)

- WSI has not made a decision on which WSI information technology FTE's could be transferred to ITD.
- This worksheet prices the transfer of eight WSI programmer analysts to ITD.
- The original budget could have included (1) Senior Program Analyst, (2) Program Analyst II, and (1) Program Analyst I. The cost of this to WSI would be \$976,560, (Subset # 1).
- The new transfers could include (2) Program Analyst III, (1) Program Analyst II, and (1) Program Analyst I. The cost of this to WSI would be **\$967,200**, (Subset # 2).
- If eight of WSI's FTE are transferred to ITD and contracted by WSI at ITD billable rates, assuming employees are needed full-time with ITD billing 75% of time, the biennial cost for WSI (using ITD billable rates for 2013-2015), would be \$1,943,760. Of that total \$976,560 was absorbed in the original WSI budget.
- Estimated biennial **additional** cost to WSI and the employers in ND for the transfer of the additional four WSI employees to ITD would be \$253,911.

13-Feb-13

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1021

Department - Workforce Safety and Insurance

Proposed funding changes:

- Description**
- 1 Fund litigation costs for Aon suit if necessary
- 2 Transfer 4 additional IT staff members to ITD
- 3 Payroll adjustments
- 4 Payroll corrections
- 5

	FTE	General Fund	Special Funds	Total
Total proposed funding changes		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Other proposed changes:

- 1
- 2
- 3
- 4

*Attached
Feb 13*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1021

Page 1, replace lines 10 and 11 with:

"Workforce safety and insurance operations	\$58,413,293	(\$3,211,859)	\$55,201,434
Accrued leave payments	0	1,662,965	1,662,965
Total special funds	\$58,413,293	(\$1,548,894)	\$56,864,399
Full-time equivalent positions	247.14	(1.00)	246.14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - House Action

	Executive Budget	House Changes	House Version
Workforce Safety and Insurance	\$63,131,407	(\$63,131,407)	
Workforce Safety and Insurance operation		55,201,434	55,201,434
Accrued leave payments		1,662,965	1,662,965
Total all funds	\$63,131,407	(\$6,267,008)	\$56,864,399
Less estimated income	63,131,407	6,267,008	56,864,399
General fund	\$0	\$0	\$0
FTE	250.14	(4.00)	246.14

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

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Transfers 4 Additional FTE Positions to ITD ⁴	Removes Funding for Web Portal Project ⁵	Removes Funding for Policy Replacement Project ⁶
Workforce Safety and Insurance			(\$63,131,407)			
Workforce Safety and Insurance operation	68,879	(1,397,598)	61,468,442	(713,289)	(1,500,000)	(1,225,000)
Accrued leave payments			1,662,965			
Total all funds	\$68,879	(\$1,397,598)	\$0	(\$713,289)	(\$1,500,000)	(\$1,225,000)
Less estimated income	68,879	(1,397,598)	0	(713,289)	(1,500,000)	(1,225,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(4.00)	0.00	0.00

	Removes Funding for Data Warehouse Project ⁷	Provides Funding for Business Process Analysis ⁸	Total House Changes
Workforce Safety and Insurance			(\$63,131,407)
Workforce Safety and Insurance operation	(2,000,000)	500,000	55,201,434
Accrued leave payments			1,662,965
Total all funds	(\$2,000,000)	\$500,000	(\$6,267,008)
Less estimated income	(2,000,000)	500,000	(6,267,008)

General fund	\$0	\$0	\$0
FTE	0.00	0.00	(4.00)

¹Funding is added due to a calculation error in the executive compensation package.

²This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

³A portion of funding for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴This amendment transfers an additional 4 FTE positions to the Information Technology Department.

⁵Funding included in the executive budget for the web portal project is removed.

⁶Funding for the policy replacement project included in the executive budget is removed.

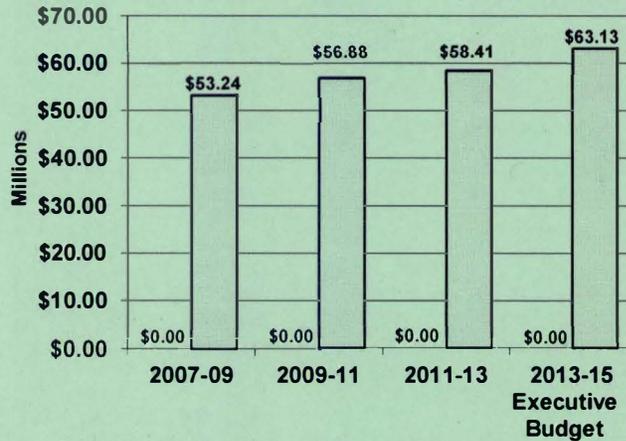
⁷Funding for the data warehouse project included in the executive budget is removed.

⁸This amendment provides funding to hire a consultant and the Information Technology Department to conduct a business process analysis.

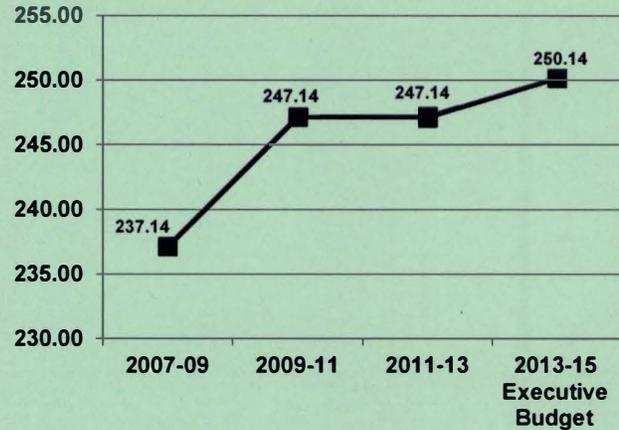
**Department 485 - Workforce Safety and Insurance
 House Bill No. 1021**

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	250.14	\$0	\$63,131,407	\$63,131,407
2011-13 Legislative Appropriations	247.14	0	58,413,293	58,413,293
Increase (Decrease)	3.00	\$0	\$4,718,114	\$4,718,114

Agency Funding



FTE Positions



■ General Fund □ Other Funds

First House Action

Attached is a summary of the first house changes.

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

	General Fund	Other Funds	Total
1. Adds the following 7 new FTE positions:			
• Claims adjuster II (including \$10,440 of related operating expenses)		\$167,294	\$167,294
• Claims supervisor (including \$13,190 of related operating expenses)		212,707	212,707
• Vocational rehabilitation supervisor (including \$17,050 of related operating expenses)		199,295	199,295
• Medical case manager supervisor (including \$17,050 of related operating expenses)		213,689	213,689
• Underwriter (including \$10,690 of related operating expenses)		167,543	167,543
• Compliance officer (including \$13,590 of related operating expenses)		159,849	159,849
• Loss control specialist (including \$14,050 of related operating expenses)		183,340	183,340
Total		\$1,303,717	\$1,303,717
2. Transfers 4 FTE positions to the Information Technology Department		(\$753,274)	(\$753,274)
3. Adjusts funding for operating expenses to reflect inflationary adjustments and other budget changes for the 2013-15 biennium		(\$4,779,795)	(\$4,779,795)
4. Adds funding for data warehouse project. The House removed this funding.		\$2,000,000	\$2,000,000
5. Adds funding for web portal project. The House removed this funding.		\$1,500,000	\$1,500,000
6. Adds funding for policy replacement project. The House removed this funding.		\$1,225,000	\$1,225,000
7. Removes 2011-13 funding for back-up generator		(\$472,818)	(\$472,818)

- | | | |
|---|-------------|-------------|
| 8. Provides funding for state employee salary increases of which \$1,970,704 relates to performance increases and \$762,942 is for market equity adjustments. The House added \$68,879 to correct the executive compensation package and reduced by \$1,112,126 funding relating to performance and market equity increases. | \$2,733,646 | \$2,733,646 |
|---|-------------|-------------|

Continuing Appropriations

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

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

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

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

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

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

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

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

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

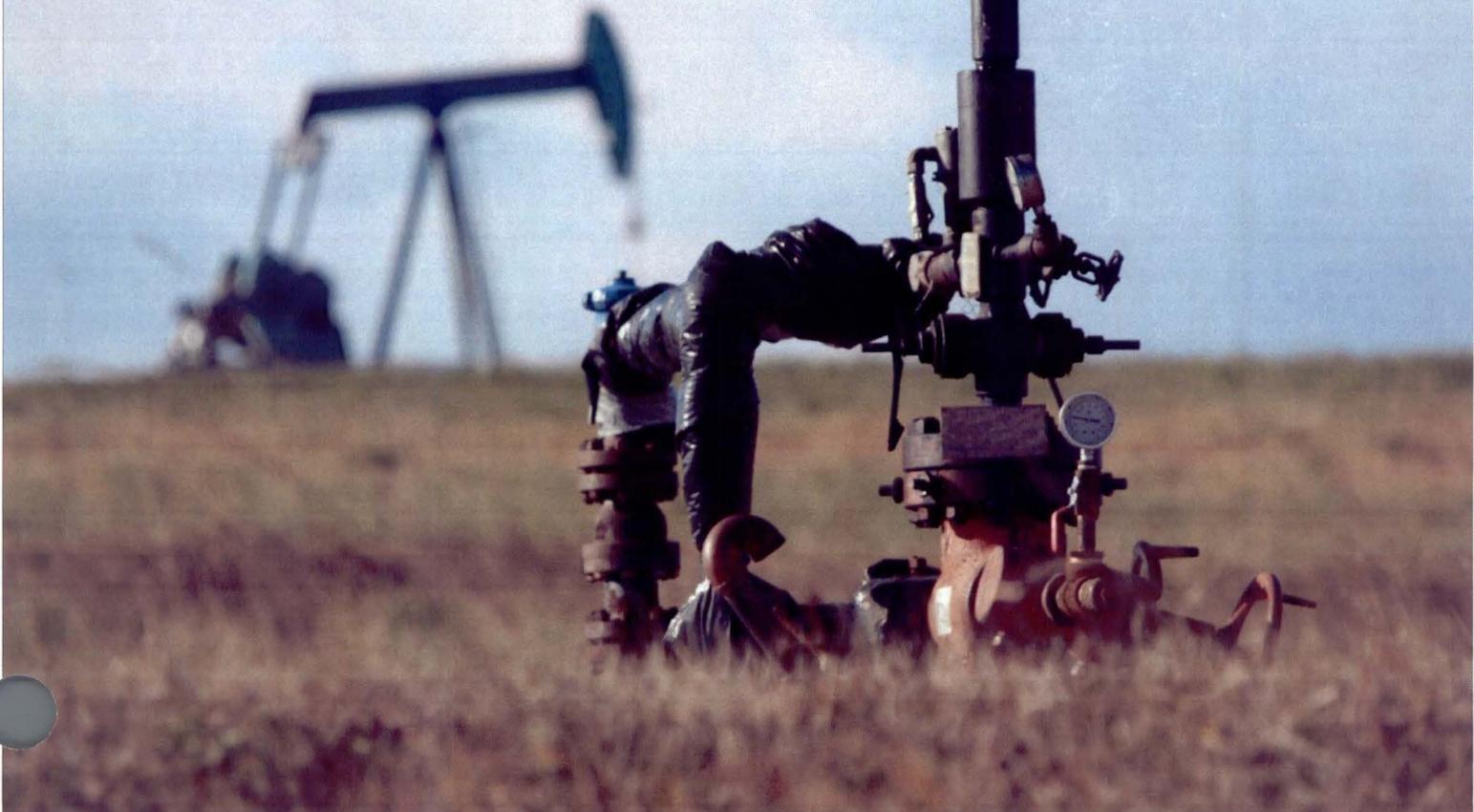
Senate Bill No. 2080 - Premium payments - Workforce Safety and Insurance may require the premium, including an advance premium, within any reasonable time in order to secure the payment of premium by the employer. If the employer fails to make payment of premium(s), the employer is considered uninsured and the account is in delinquency status. Workforce Safety and Insurance may then assess penalties and fees accordingly and may assess a penalty of \$2,000 each premium period the employer is uninsured.

ATTACH:1



Workforce Safety & Insurance

*Bryan Klipfel #1
HB1021
3-7-13
Putting Safety to Work*



Testimony on Engrossed HB 1021

Senate Appropriations Committee

March 7, 2013

2013 Engrossed House Bill No. 1021
Testimony before the Senate Appropriations Committee
Presented by: Bryan Klipfel, WSI Director and Cindy Ternes, WSI Director of Finance
Workforce Safety & Insurance
March 7, 2013

Mr. Chairman and Members of the Committee:

Good morning. My name is Bryan Klipfel, Director of Workforce Safety & Insurance (WSI). On behalf of WSI, we would like to thank the Chairman and the Committee for providing the agency this opportunity.

We are here to testify before the committee to provide you a brief background of WSI; the current positives as well as the ongoing challenges with the existing workers compensation environment, and to ask for your support in restoring WSI's biennial appropriation, Engrossed House Bill 1021, to the Governor's recommended level. Specifically, we are requesting the House adjustments for compensation, market, benefits and information technology be removed and WSI's appropriation be restored to the Governor's recommended level.

WSI Background

Workforce Safety & Insurance (WSI) was established in 1919 as an exclusive state fund for workers compensation insurance. Today, North Dakota is one of four remaining monopolistic workers compensation systems in the United States. The others are Ohio, Washington, and Wyoming.

WSI, a state entity, functions as the sole provider of workers compensation insurance in the state of North Dakota. There are no provisions for self-insurance or private insurance for purposes of workers compensation. If a business has significant contacts in North Dakota, they must insure with WSI.

WSI has 247.14 authorized full-time employees (FTEs). Claims for occupational injury and disease are filed with WSI and adjudicated by in-house agency claim adjustors. Currently, WSI processes approximately 24,600 claims per year. WSI services about 24,000 employers with a covered workforce of 370,000 workers. Annual net earned premiums amount to \$251 million per year.

WSI is a special fund agency funded solely by employer premiums, which provides for the payment of medical and wage loss benefits as well as administrative expenses. WSI receives no General Fund dollars.

With that brief background, I will now go into some of the positives of North Dakota's workers compensation environment.

WSI Positives

Good Benefits. North Dakota's benefit structure is set by statute and compares quite favorably to other jurisdictions. Benefits provided include:

- Lifetime, deductible-free medical benefits related to the work injury.
- Weekly disability benefits ranging up to a maximum of \$995/week (125% of North Dakota's State Average Weekly Wage (SAWW) which is \$796 per week).
- A post-retirement benefit (additional benefit payable-ABP) when disability benefits cease at time of eligibility for social security retirement benefits.
- Cost of living adjustments (COLAS). Long-term disability recipients are eligible for COLAS after 3 years and receive increases equivalent to the increase in the SAWW. This year's COLA was 9.9%. COLAs have averaged 5.0% over the last decade and 6.1% over the last five years.
- Vocational Rehabilitation benefits that provide for up to two years or more of retraining.
- Death benefits of up to \$300,000.

Additionally, numerous benefit and policy provisions have been passed by previous Legislative Assemblies that have served to enhance the benefits and services provided to injured workers (**see Attachment A**).

Good Payor. Based on a recent medical and hospital fee schedule analysis, WSI reimbursement for physician services equates to 189% of Medicare reimbursements and WSI reimbursements for hospital services ranges between 155% (Inpatient) and 169% (Outpatient) of Medicare reimbursements.

Low Premiums. Over the last decade, and before any dividends are issued, North Dakota has continually been ranked the lowest premium state in the country (2012 Oregon Premium Study). Statewide premium rate levels have been stable with small inflationary increases.

North Dakota rates are the lowest in the country and nearly 50% below the median state in the study.

Neighboring state rates compared to North Dakota:

South Dakota—1.9x higher (3.8x higher with 50% dividend factored in)

Minnesota—2.0x higher (4.0x higher with 50% dividend factored in)

Montana—2.5x higher (5.0x higher with 50% dividend factored in)

Other monopolistic state rates compared to North Dakota:

Wyoming—1.7x higher (3.4x higher with 50% dividend factored in)

Washington—2.1x higher (4.2x higher with 50% dividend factored in)

Ohio—1.8x higher (3.6x higher with 50% dividend factored in)

Low incidence of time-loss claims. Time-loss claims account for only 12% of the total claims in North Dakota compared to 20% in other jurisdictions. North Dakota employees have a good work ethic, and if they are injured, they want to get back to work. WSI's Return to Work programs greatly assist these efforts.

Safety and Loss Control. WSI has a dedicated safety/loss control unit and provides a number of safety discount programs. Employers meeting the requirements receive additional discounts in premium.

Administratively efficient. WSI has an 8.2% administrative expense ratio (FY 2012). Workers' compensation industry expense ratios typically range between 25% and 35%. As a monopoly, North Dakota does not incur the marketing, broker, tax, and other fees incurred by other private workers compensation insurers.

Unexpended appropriations are returned to the WSI Fund. Historically, WSI staff have been good financial stewards returning to the WSI fund unexpended appropriations in the amount of \$10.4 million in the 2007-09 biennium, \$9.3 million in the 2009-11 biennium and an estimated \$4.5 million for the current 2011-13 biennium. Most of these unexpended funds are a direct result of planned computer projects the agency was not able to complete due to other commitments and time restraints. WSI ensured funding authorized for special computer projects was not used to fund other budget areas.

Low litigation. Overall litigation requests represent less than one percent of total claims filed.

Good Service and Overall Customer Satisfaction. Periodic injured worker and employer customer satisfaction surveys independently conducted for WSI consistently rank in the "high satisfaction category.

Financially Stable. A financially secure fund benefits both injured workers and businesses.

Favorable investment returns have resulted in additional surplus growth. Fund investment returns for Fiscal Years 2010, 2011, and 2012 were 11.94%, 13.26%, and 6.14% respectively. The current FY 2013 year-to-date return from July through December 2012 is 6.46%.

State law outlines the required surplus levels which are 20% to 40% of reserve liabilities. WSI's surplus ratio (as of 12/31/12) is at 47.8% (**see Attachment B**). When the net available assets of the fund exceed statutory surplus requirements, dividends must be issued to policyholders. Total dividends declared in seven out of the past eight years have amounted to nearly \$600 million ranging between 40% and 62%, including a dividend for the current policy year of approximately \$140 million.

Recent annual financial audits conducted by an external firm have been unqualified and free of findings.

As you can see there are many positives with the current system. With that said, we do have challenges as well and I will briefly highlight a few of those for you at this time.

WSI Challenges

Increased Workloads. The increased economic activity within the state has resulted in increased staff workloads. WSI conducted a workload assessment for many of the departments within the agency. A sampling of workload indicators comparing 2012 workloads to 2009 workloads is as follows:

<u>Workload Measures</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013 Projection</u>	<u>% increase 09-13</u>
Number of Claims Filed	20,544	19,388	21,693	24,643	26,101	27%
Claims filed w/out-of-state address	2,766	2,689	3,619	5,383	6,144	122%
Total Bills Entered	173,186	180,640	188,615	217,923	234,000	35%
Avg. Number of Calls per Day	495	509	543	668	737	49%
Number of Active Employer Accounts	19,946	20,316	21,552	23,812	24,764	24%
New Employer Applications Received	1,794	2,008	3,082	4,931	4,000	123%
Net Earned Premium	161 M	152 M	189 M	251 M	304M	89%
Paid Claim Costs	115 M	114 M	124 M	134 M	177 M	54%

FY13 figures are projected based on data through 01/31/2013.

In summarizing the information, workloads have increased significantly. The effects of the heavier workloads are compounded by the overall increase in business complexity.

Increased Claim Complexity. Claim processing is becoming more complex. Claims with out-of-state addresses used to account for approximately 12% of all claims. Today, approximately 22% of all claims have out-of-state addresses. Managing the medical, return to work, and vocational rehabilitation for out-of-state claims, and working with out of state medical providers requires additional time and resources.

Increased Underwriting Complexity. Policyholder Services and Underwriting is becoming more complex. The coverage, compliance, and jurisdictional determinations for out of state companies have increased significantly. Delinquent premiums associated with out of state companies have increased as well, making the collections process more problematic.

Staffing. Managing the more complex and increased workloads with existing staffing levels, while trying to maintain an acceptable level of service has been a significant challenge. In reviewing periodic performance measurements there has been deterioration in claim and bill processing times, an increase in the number of employers that are not in good standing, and an increase in WSI staff turnover. To help mitigate and reverse these trends, WSI has hired a number of temporary employees within various departments. Additionally, through attrition and turnover, WSI evaluates FTE positions as they come open to determine whether allocation elsewhere is necessary. With these challenges, once again, WSI is requesting the House adjustment of \$1,397,598 be restored into WSI's budget appropriation as stated in the Governor's recommendation.

Safety Focus. Ensuring employers maintain a continued focus on safety in a low premium/high dividend environment continues to be challenging. In addition, the increased business activity has resulted in a demand for more specialized safety and loss control services.

Technology. WSI is in the midst of a multi-year system replacement project. Effective December 31, 2012 one of the major vendors on the project, Aon, was relieved of their duties with their contract being neither renewed nor extended. From here, WSI plans to find a new partner to fill Aon's role and to finish the project. The ongoing challenge will be to continue to work towards a successful implementation.

The House Appropriations Committee added \$600,000 for two studies and removed \$4.725 million from WSI's executive budget prior to crossover. The \$4.725 million was from the general category of technology projects and specifically designated for advancement of software for: (1) the policy side of our business (\$1.225 million), (2) a data warehouse (\$2.0 million) and (3) a web portal (\$1.5 million).

The WSI budget was formulated using the traditional budget process. That means it was constructed long before significant events occurred which included WSI not extending the contract with Aon eSolutions for the completion of a comprehensive software replacement project which had been going for five years. Those budget items were included as WSI anticipated being done, or far enough along, with the project which would then allow us to move on to other portions of the overall Information Technology Transformation Plan which are the Data Warehouse, Web Portal and Customer Relations Management (CRM).

We are requesting to reinstate the \$4.725 million back into the appropriation and we have a plan for the responsible use of the money. We have been working with the Executive Steering Committee (ESC) process for the last year and a half. At the last ESC meeting on Wednesday February 27th the ESC endorsed with the following motion, a process that should assure you any money spent for technology will be well planned, monitored and controlled; resulting in a higher likelihood of success.

The motion was "that prior to and in preparation of a procurement we complete the following steps and make decisions on the next steps based upon the results of these efforts."

- i. Perform lessons learned
- ii. Develop a new project charter
- iii. Perform market research
- iv. Perform architecture review
- v. Review requirements
- vi. Review business processes

WSI thinks this constitutes a strong and financially responsible process for moving forward. It is important that WSI continues to deploy technology that allows us to provide better service to policy holders, injured workers and medical providers and allows us to operate efficiently within our legislative and executive guidelines.

We are requesting the Senate Appropriations Committee adopt the proposed amendment granting WSI the authority to expend the necessary dollars if required for potential litigation (**See Attachment C**).

We hope this helps you better understand what WSI does, the positives that exist and the challenges we are currently facing. North Dakota's workers' compensation system today remains stable, is continually improving, and functioning very well as we strive to meet the challenges brought forth by our economic growth.

At this point, I would like to introduce WSI's Director of Finance, Cindy Ternes, to highlight the details of WSI's proposed budget for the committee.

Good morning. I want to thank you again for your time and attention. It is good to be here.

I would like to present a brief overview of WSI's budget as we request your consideration in restoring the budget to the Governor's recommendation of \$63,131,407 for the 2013-2015 biennium. This is an increase of 8% over the previous biennial budget of \$58,413,293. As indicated earlier, this budget contains no general fund dollars.

	Current Appropriation 2011-2013	New FTE's	FTE Transfer to ITD 2013-15	Base Appropriation Changes 2013-2015	Recommended Appropriation 2013-15	% of Change
Salaries, Wages & Benefits	37,994,329	1,182,665	(768,233)	4,795,234	43,203,995	13.7%
Operating Expense	16,952,715	96,060	-	1,653,638	18,702,412	10.3%
AIM Project	3,000,000	-	-	(1,775,000)	1,225,000	-59.2%
Capital Assets	466,250	-	-	(466,250)	-	-100.0%
Agency Appropriation	58,413,293	1,278,725	(768,233)	4,207,622	63,131,407	8.1%
FTE's	247.14	7.0	(4.0)	-	250.14	1.2%
Temp Employees	15.00	-	-	-	15.00	0.0%

Salaries, Wages & Benefits

Salaries, wages and benefits show an increase of 13.7% over the 2011-2013 biennium. This increase includes funding of \$1.2 million for seven additional FTE's. Bryan disclosed the significant workload increase WSI is experiencing. WSI requested additional FTE's to help handle this

workload so our customers continue to receive the service they are accustomed to. When the budget was submitted in the late summer of 2012, WSI had fifteen temporary employees on board. Today, WSI has either hired or is anticipating the hiring of an additional seventeen temporary employees to ease the workload burden. As you have seen, WSI's increases in claim costs and premium revenue have been significant.

Operating Expense The budget recommendation contains an increase of \$1.7 million in operating expense. This is an increase of 10% over the current biennium.

Most of WSI's technology services (i.e. servers, back-up recovery, file storage), have been transferred to the State ITD department. The cost of these services is estimated at \$1.9 million, which is approximately \$1.1 million more than the prior biennium when these services were housed within WSI.

Capital Assets WSI requested funding in the current biennium to install a back-up generator system for the Century Center office building. This has been completed and is fully operational. This full building back-up generator system provides essential power for all areas of the building including geothermal heating and cooling systems, computer systems and life safety systems. No new major capital assets are being planned in the current biennium.

FTE's & Temporary Employees WSI currently has legislative authority for 247.14 FTE. As previously discussed, WSI is experiencing significant workload increases due to the number of employers and employees in the state. The Governor's budget recommendation for WSI includes funding for seven additional FTE's. The appropriation was reduced by \$770,000 for the four FTE's being transferred over to ITD. This leaves WSI with a net gain of three FTE's.

Thank you again for your time today and your consideration of WSI's biennial appropriation request. We would appreciate your support in restoring the appropriation to the Governor's recommended level. At this time, we would be glad to answer any questions that you may have.

Historical Workers Compensation Benefit Enhancement Legislation

2011 Legislation

- Establishes a vocational rehabilitation grant program (HB 1050)
- Provides up to two years of benefits for workers injured within two years of their presumed retirement date (HB 1051)
- Reduces the threshold for percentage of whole body impairment to qualify for a PPI award (HB 1055)
- Increases permanent partial impairment awards (multipliers) for the lower impairment levels (HB 1055)
- Expands eligibility for the scholarship program (SB 2114)
- Increases the annual cap that the organization can award in scholarships from \$300,000 to \$500,000 (SB 2114)
- Increases the maximum scholarship amount payable per applicant from \$4,000 per year to \$10,000 per year (SB 2114)
- Streamlines the personal reimbursement process for injured workers (SB 2114)
- Expands eligibility for the educational revolving loan fund (SB 2114)

2009 Legislation

- Provides for payment of eyeglasses and other devices if an injury occurs and damages those prescriptive devices (HB 1061)
- Provides for an extension of an additional 20 weeks to the current 104-week limit for retraining programs (HB 1062)
- Increases the eligibility pool for job search benefits (HB 1062)
- Establishes pilot program to assess new methods of providing rehabilitation services (HB 1062)
- Establishes parameters of liability for medical expenses paid for treatment of unknown pre-existing conditions (HB 1063)
- Shortens eligibility period for cost of living adjustments (COLAs) for pre-1/1/06 total disability claims from 7 to 3 years (HB 1064)
- Expands COLA eligibility for pre-1/1/06 claims to include both permanent total and temporary total benefit recipients (HB 1064)
- Outlines coverage parameters for emergency volunteer healthcare practitioners (HB 1073)
- Increases the maximum disability benefit from 110% to 125% of the state's average weekly wage (SAWW) (HB 1101)
- Increases lifetime cap on death benefits from \$250,000 to \$300,000 (HB 1101)
- Increases burial expense from \$6,500 to \$10,000 and one-time payments for spouses and dependent children (HB 1101)
- Increases the dependency allowance from \$10 to \$15 per week per child (HB 1101)
- Increases pre-acceptance disability benefits from the minimum benefit rate to the standard rate (HB 1101)
- Increases travel and other personal reimbursements on aggravation claims to 100% (HB 1101)
- Provides up to six months benefits for the surviving spouse of a PTD that provided home health care during disability (HB 1455)
- Provides that OAH conduct WSI hearings and that OAH's decisions are final (HB 1464)
- Provides for a study of the post-retirement benefit structure to be conducted during the interim (HB 1525)
- Provides that WSI outline reasons for disregarding a treating doctor's opinion (HB 1561)
- Resolution to study workers' compensation laws regarding pre-existing injuries (HCR 3008)
- Resolution to study injured worker access to legal representation (HCR 3013)
- Establishes a clear and convincing evidence standard to rebut the presumption clause (SB 2055)
- Provides door to door reimbursement of mileage to attend medical appointments (SB 2056)
- Establishes a PPI schedule award for the partial loss of eye sight (SB 2057)
- Distinguishes an independent medical exam (IME) from an independent medical record review (IMR) (SB 2058)
- Provides for attorney fees and costs for review of a claim after OIR completion (SB 2059)
- Provides for a rehab training expense for maintaining a second household or traveling more than 25 miles to school (SB 2419)
- Provides that WSI make a reasonable effort to designate an IME doctor within a certain radius of worker's residence (SB 2431)
- Shortens the time period in which an injured worker can request a change of doctor (SB 2432)
- Provides that WSI notify injured workers of work search obligations (SB 2433)

2007 Legislation

- Provided funds for the purchase or adaptation of motor vehicles for the catastrophically injured (HB 1038)
- Provided increased post-retirement additional benefits for certain injured workers (HB 1038)
- Expanded the population that is eligible for death benefits (HB 1038)
- Shortened eligibility period for cost of living adjustments (COLAs) from seven years to three years (HB 1038)
- Expanded the eligibility pool for WSI's revolving loan fund (HB 1038)
- Provided inflation adjustment for long-term Temporary Partial Disability benefit recipients (HB 1140)
- Provided funds for the purchase or adaptation of motor vehicles for catastrophic and exceptional circumstance claims (HB 1411)
- Provided benefits for firefighters and law enforcement officers in the event of a false positive test (SB 2042)

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 an injured worker educational revolving loan fund (HB 1491)

Increased the non-dependency death award (HB 1506)

Increased post-retirement additional benefit payments (SB 2351)

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)

2001 Legislation

Increased certain permanent partial impairment awards (HB 1161)

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)

1997 Legislation

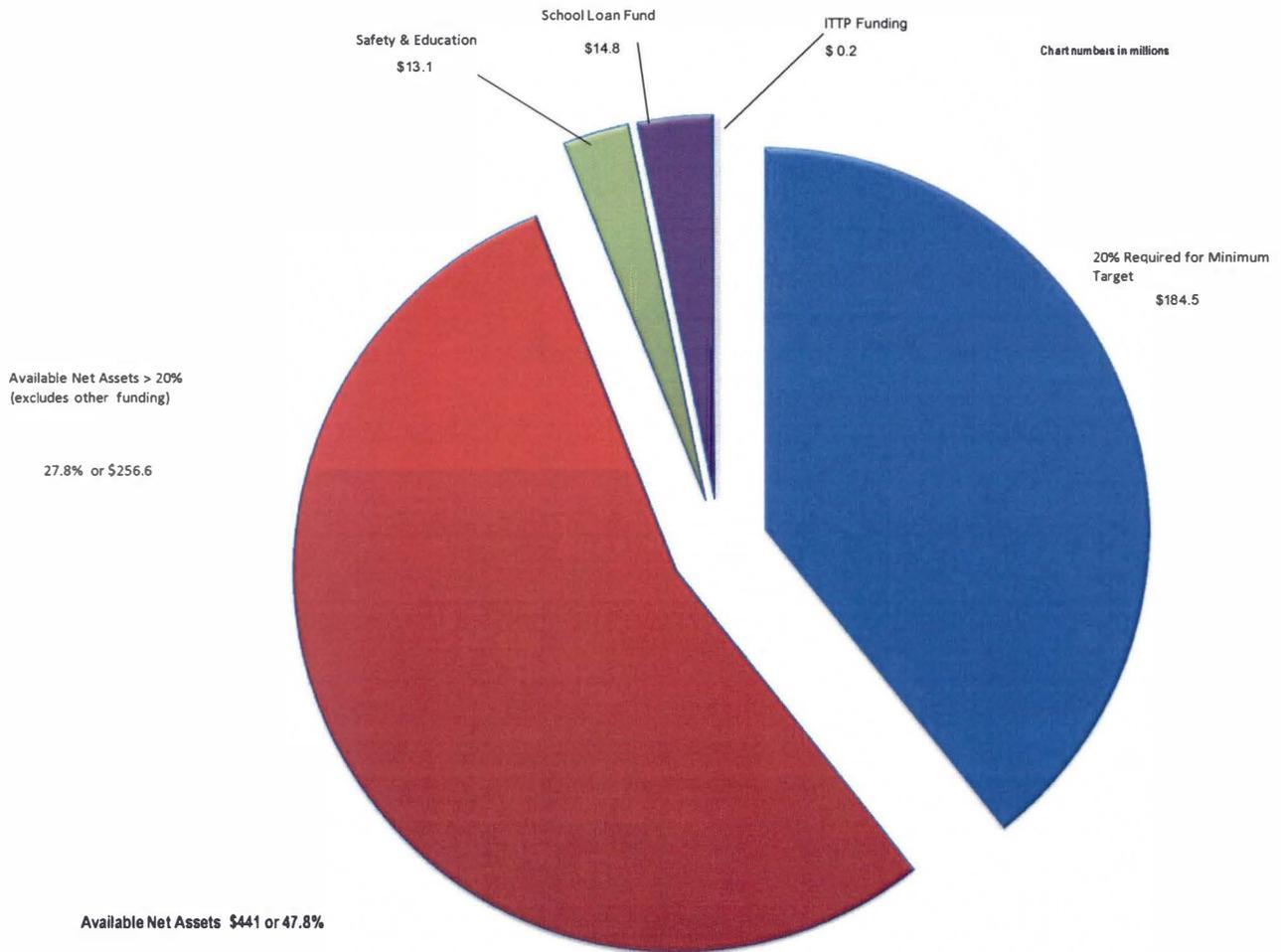
Increased weekly death benefits for surviving spouses (SB 2116)

Created the Guardian Scholarship program (SB 2116)

Established a post-retirement additional benefit (SB 2125)

Net Asset Detail December 31, 2012

Chart numbers in millions



	Actual June 2011	Actual June 2012	Y-T-D Dec 2012
NET ASSETS or "SURPLUS"	\$ 393,127,850	\$ 374,604,802	\$ 469,252,790
Estimated Discounted Financial Reserves	814,023,000	865,645,000	922,729,726
Net Assets (Surplus)	\$ 393,127,850	\$ 374,604,802	\$ 469,252,790
2009 HB 1035 Allowable Deductions from Net Assets (Surplus)			
Safety & Education Grants	8,561,019	18,406,760	13,105,679
Revolving School Loan Fund	14,877,759	14,842,186	14,831,686
ITTP/AIM Update	3,035,684	706,652	186,509
Total Exclusions from Net Assets (Surplus)	26,474,462	33,955,598	28,123,874
Available Fund Surplus	\$ 366,653,388	\$ 340,649,204	\$ 441,128,916
	45.0%	39.4%	47.8%

Title	Department	Reg/Temp	Temp Date
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WSI

CURRENT TEMPORARY EMPLOYEES

Special Projects Coordinator	Executive	T	12/5/2005	
Admin Assistant I	Legal	T	10/15/2007	
Maintenance Worker	Facility Management	T	2/17/2009	
Paralegal	Legal	T	6/21/2011	
Vocational Case Manager II	Return To Work	T	7/1/2011	
Claims Adjuster I	Claims	T	10/3/2011	(temp employee transferred to an open FTE slot, currently being re-advertised)
Claims Adjuster I	Claims	T	1/3/2012	
Customer Service Representative	Customer Service	T	1/4/2012	(temp employee transferred to another position 02/2013, currently being re-advertised)
Medical Clms Proc Spc III	Medical Services	T	5/1/2012	
Admin Assistant I	Return To Work	T	5/1/2012	(temp employee transferred to FTE position 03/2013, currently being re-advertised)
Account Budget Specialist I	Finance	T	6/11/2012	
Senior Advisor to the Director	Executive	T	7/20/2012	
Claims Adjuster I	Claims	T	10/1/2012	
Admin Assistant I	Human Resources	T	10/22/2012	
Vocational Case Manager II	Return To Work	T	12/19/2012	
Medical Clms Proc Spc III	Medical Services	T	1/2/2013	
Customer Service Representative	Customer Service	T	2/4/2013	
Customer Service Representative	Customer Service	T	2/4/2013	
Vocational Case Manager II	Return To Work	T	2/25/2013	
Vocational Case Manager II	Return To Work	T	3/18/2013	

TEMP AGENCY EMPLOYEES

Document Processing Specialist I	Office Services	Temp Agency	1/11/2013	
Bill Input Specialist	Office Services	Temp Agency	3/11/2013	
Support Specialist	PolicyHolder Services	Temp Agency	3/11/2013	Hired a temp, moved FTE to an underwriter position

Title	Department	Reg/Temp	Temp Date
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TEMPORARY EMPLOYEE CURRENTLY ADVERTISING

Collections Officer II	PolicyHolder Services	T	2/13/2013 Posting Date
Document Processing Specialist I	Office Services	T	2/13/2013 Posting Date
Claims Adjuster I	Claims	T	2/13/2013 Posting Date
Claims Adjuster I	Claims	T	2/13/2013 Posting Date
Claims Adjuster I	Claims	T	2/13/2013 Posting Date

TEMPORARY EMPLOYEES NEEDED

Attorney	Legal
Medical Case Manager	Return to Work
Medical Bill Auditor	Medical Services
Premium Underwriter	PolicyHolder Services

CHAPTER 65-02
WORKFORCE SAFETY AND INSURANCE ORGANIZATION

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65-02-01. Workforce safety and insurance - Director - Division directors.

The organization must be maintained for the administration of this title. The director may appoint the director of any division established by the director. The appointment of a division director must be on a nonpartisan, merit basis.

65-02-01.1. Workforce safety and insurance.

The legislative council may delete, where appropriate, "workers compensation bureau", "North Dakota workers compensation bureau", or any derivatives of those terms, which when used in context indicate an intention to refer to those terms, wherever they appear in the North Dakota Century Code or in the supplements thereto and to insert in lieu of each deletion "workforce safety and insurance". Such changes are to be made when any volume or supplement of the North Dakota Century Code is being reprinted. It is the intent of the legislative assembly that workforce safety and insurance be substituted for, shall take any action previously to be taken by, and shall perform any duties previously to be performed by the workers compensation bureau. The legislative council may replace "bureau", where appropriate, wherever the term appears in the North Dakota Century Code or in the supplements of the North Dakota Century Code, with the term "organization". These changes are to be made when any volume or supplement is being reprinted.

65-02-01.2. Organization to establish personnel system.

Repealed by S.L. 2009, ch. 611, § 13.

65-02-01.3. Workforce safety and insurance - Executive director - Governor to appoint - Personnel.

Notwithstanding any other provisions of law, the governor shall appoint a director of workforce safety and insurance who shall serve at the pleasure of the governor. The governor shall set the compensation and prescribe the duties of the director. Each employee of workforce safety and insurance must occupy a position in the classified service and must be subject to the provisions of the state personnel system provided in chapter 54-44.3.

65-02-02. Oath of office.

Before commencing to perform the duties of director of the organization, the director shall file an oath of office in the usual form.

65-02-03. Organization - Quorum - Effect of vacancy - Vacancies which must be filled within thirty days.

Repealed by S.L. 1989, ch. 295, § 21.

65-02-03.1. Workforce safety and insurance board of directors - Appointment.

1. The board consists of eleven members. The appointment and replacement of the members must ensure that:
 - a. Six board members represent employers in this state which maintain active accounts with the organization. Two of the employer members must be employers with annual premiums, which at the time of the member's initial appointment were greater than twenty-five thousand dollars; one of the employer members must be an employer with an annual premium, which at the time of the member's initial appointment was less than twenty-five thousand dollars; one of the employer members must be an employer with an annual premium, which at the time of the member's initial appointment was less than ten thousand dollars; and two of the employer members must be employer at-large representatives. Except for the employer at-large representatives, each employer representative

- must be a principal owner, chief executive officer, or chief financial officer of the employer.
- b. Three members represent employees. Of the three employee members, one member must represent organized labor and one other member must have received workforce safety and insurance wage-loss benefits at some time during the ten years before the member's initial appointment.
 - c. One member is a member of the North Dakota medical association.
 - d. One member is a member at large who must be a resident of this state and at least twenty-one years of age.
2. Board members shall serve four-year terms. The governor shall make the necessary appointments to ensure the term of office of members begins on January first of each odd-numbered year. A board member whose initial appointment was before August 1, 2007, may not serve more than three consecutive terms and a board member whose initial appointment was after July 31, 2007, may not serve more than two consecutive terms.
- a. A departing member representing an employer must be replaced by a member representing an employer, most of whose employees are in a different rate classification than those of the employer represented by the departing member. The governor shall appoint the member for an employer representative from a list of three potential candidates submitted by a coordinating committee appointed by the governor, composed of representatives from the associated general contractors of North Dakota, the North Dakota petroleum council, the greater North Dakota chamber of commerce, the North Dakota motor carriers association, the North Dakota hospital association, the national federation of independent business, the lignite energy council, and other statewide business interests.
 - b. The governor shall select the member for the organized labor employee representative from a list of three potential candidates submitted by an organization that is statewide in scope and which through the organization's affiliates embraces a cross section and a majority of organized labor in this state.
 - c. The governor shall select the two employee representatives who do not represent organized labor and the member at large.
 - d. The governor shall select the member representing the North Dakota medical association from a list of three potential candidates submitted by the North Dakota medical association.
 - e. Within the thirty days following receipt of a list of potential candidates representing employers, organized labor, or the North Dakota medical association, the governor may reject the list and request that the submitting entity submit a new list of potential candidates.
3. Vacancies in the membership of the board must be filled for the unexpired term by appointment by the governor as provided in this section.

65-02-03.2. Compensation of board members.

A board member is entitled to receive compensation as determined by the board for days spent in attendance at board meetings or other business as approved by the board. A board member is entitled to reimbursement for mileage and expenses as provided for state officers.

65-02-03.3. Board - Powers and duties.

The board shall:

1. Assist the organization in developing and submitting a budget, responding to any audit recommendations, formulating policies, and discussing issues related to the administration of the organization, including the determination of employer premium rates, maintenance of the solvency of the workforce safety and insurance fund, and provision of rehabilitation services, while ensuring impartiality and freedom from political influence.

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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

Page 1, replace line 10 with:

"Workforce safety and insurance \$58,413,293 \$5,386,993 \$63,800,286"

Page 1, replace line 12 with:

"Litigation contingency 0 750,000 750,000"

Page 1, replace line 13 with:

"Total special funds \$58,413,293 \$6,136,993 \$64,550,286"

Page 2, after line 7, insert:

"SECTION 4. LITIGATION CONTINGENCY. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Workforce Safety and Insurance	\$63,131,407			
Workforce Safety and Insurance operation		56,014,723	7,785,563	63,800,286
Accrued leave payments		1,662,965	(1,662,965)	
Workforce Safety and Insurance operation				
Litigation Contingency			750,000	750,000
Total all funds	\$63,131,407	\$57,677,688	\$6,872,598	\$64,550,286
Less estimated income	63,131,407	57,677,688	6,872,598	64,550,286
General fund	\$0	\$0	\$0	\$0
FTE	250.14	250.14	0.00	250.14

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for IT Projects ⁴	Total Senate Changes
Workforce Safety and Insurance					
Workforce Safety and Insurance operation	1,397,598	1,662,965		4,725,000	7,785,563
Accrued leave payments		(1,662,965)			(1,662,965)
Litigation Contingency			750,000		750,000
Total all funds	\$1,397,598	\$0	\$750,000	\$4,725,000	\$6,872,598

Less estimated income	<u>1,397,598</u>	<u>0</u>	<u>750,000</u>	<u>4,725,000</u>	<u>6,872,598</u>
	\$0	\$0	\$0	\$0	\$0
General fund					
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions relating to the unsuccessful advanced information management computer system project.

⁴ This amendment adds funding for IT projects. The agency may determine which projects are developed.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	\$58,413,293	\$4,786,993	\$63,200,286
Litigation contingency	<u>0</u>	<u>750,000</u>	<u>750,000</u>
Total special funds	\$58,413,293	\$5,536,993	\$63,950,286"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Workforce Safety and Insurance	\$63,131,407			
Workforce Safety and Insurance operation		56,014,723	7,185,563	63,200,286
Accrued leave payments		1,662,965	(1,662,965)	
Litigation Contingency			750,000	750,000
Total all funds	\$63,131,407	\$57,677,688	\$6,272,598	\$63,950,286
Less estimated income	<u>63,131,407</u>	<u>57,677,688</u>	<u>6,272,598</u>	<u>63,950,286</u>
General fund	\$0	\$0	\$0	\$0
FTE	250.14	250.14	0.00	250.14

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for IT Projects ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for IT Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	1,662,965		4,725,000	(500,000)	(100,000)
Accrued leave payments		(1,662,965)				
Litigation Contingency			750,000			
Total all funds	\$1,397,598	\$0	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	<u>1,397,598</u>	<u>0</u>	<u>750,000</u>	<u>4,725,000</u>	<u>(500,000)</u>	<u>(100,000)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Senate Changes
Workforce Safety and Insurance	7,185,563
Workforce Safety and Insurance operation	(1,662,965)
Accrued leave payments	750,000
Litigation Contingency	
Total all funds	\$6,272,598
Less estimated income	6,272,598
General fund	\$0
FTE	0.00

¹Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

²The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

³This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions.

⁴This amendment adds funding for information technology projects. The agency may determine which projects are developed.

⁵This amendment removes the funding added by the House for the business process analysis.

⁶This amendment removes the funding added by the House for an information technology staffing analysis.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

Page 1, replace lines 10 through 14 with:

"Workforce safety and insurance operations	\$58,413,293	\$5,555,225	\$63,968,518
Litigation contingency	<u>0</u>	<u>750,000</u>	<u>750,000</u>
Total special funds	\$58,413,293	\$6,305,225	\$64,718,518
Full-time equivalent positions	247.14	7.00	254.14"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Workforce Safety and Insurance operation	\$63,131,407	56,014,723	7,953,795	63,968,518
Accrued leave payments		1,662,965	(1,662,965)	
Litigation Contingency			750,000	750,000
Total all funds	\$63,131,407	\$57,677,688	\$7,040,830	\$64,718,518
Less estimated income	63,131,407	57,677,688	7,040,830	64,718,518
General fund	\$0	\$0	\$0	\$0
FTE	250.14	250.14	4.00	254.14

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance operation	1,397,598	1,662,965		4,725,000	(500,000)	(100,000)
Accrued leave payments		(1,662,965)				
Litigation Contingency			750,000			
Total all funds	\$1,397,598	\$0	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	0	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0 0.00	\$0 0.00	\$0 0.00	\$0 0.00	\$0 0.00	\$0 0.00

FTE

	Restores Information Technology Staff⁷	Total Senate Changes
Workforce Safety and Insurance		
Workforce Safety and Insurance operation	768,232	7,953,795
Accrued leave payments		(1,662,965)
Litigation Contingency		750,000
Total all funds	\$768,232	\$7,040,830
Less estimated income	<u>768,232</u>	<u>7,040,830</u>
General fund	\$0	\$0
FTE	4.00	4.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions.

⁴ This amendment adds funding for information technology projects. The agency may determine which projects are developed.

⁵ This amendment removes the funding added by the House for the business process analysis.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis.

⁷ This amendment restores the 4 FTE information technology positions and the related funding transferred to the Information Technology Department in the executive budget and the House version.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1021

That the Senate recede from its amendments as printed on pages 1544-1546 of the House Journal and page ~~1406~~ of the Senate Journal and that Engrossed House Bill No. 1021 be amended as follows: ^{1371 - 1373}

Page 1, line 2, after "insurance" insert "; to provide for litigation contingency and settlement funds; and to provide for information technology projects and business process analysis"

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	\$58,413,293	\$2,496,164	\$60,909,457
Accrued leave payments	0	1,662,965	1,662,965
Litigation contingency	<u>0</u>	<u>750,000</u>	<u>750,000</u>
Total special funds	\$58,413,293	\$4,909,129	\$63,322,422"

Page 1, remove lines 15 through 24

Page 2, replace lines 1 through 7 with:

"SECTION 2. LITIGATION CONTINGENCY - SETTLEMENT FUNDS - USE OF FUNDS. Funding included in the litigation contingency line item in section 1 of this Act may be spent by workforce safety and insurance only for fees and other costs associated with workforce safety and insurance pursuing a civil action for damages relating to the unsuccessful advanced information management computer system project. Any remaining unused litigation funds may be used for workforce safety and insurance for the development or operation of information technology projects. Any moneys received by workforce safety and insurance resulting from a settlement or court awards relating to this project must be retained in the workforce safety and insurance fund and reported to the sixty-fourth legislative assembly.

SECTION 3. INFORMATION TECHNOLOGY PROJECTS FUNDING - BUSINESS PROCESS ANALYSIS. The workforce safety and insurance operations line item in section 1 of this Act includes the sum of \$4,725,000, which may only be spent for costs of conducting a business process analysis of up to \$500,000, as provided in section 4 of this Act and for appropriate information technology equipment, development, and operational costs of information technology projects as approved by workforce safety and insurance's executive steering board and the state information technology advisory committee.

SECTION 4. BUSINESS PROCESS ANALYSIS. During the 2013-14 interim, workforce safety and insurance shall contract with the information technology department and a private consultant to conduct a business process analysis of workforce safety and insurance. The analysis must include a review of the workforce safety and insurance business process and its use of information technology to support the business process and related information technology services."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1021 - Workforce Safety and Insurance - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Workforce Safety and Insurance	\$63,131,407					
Workforce Safety and Insurance operation		56,014,723	4,894,734	60,909,457	63,968,518	(3,059,061)
Accrued leave payments		1,662,965		1,662,965		1,662,965
Litigation Contingency			750,000	750,000	750,000	
Total all funds	\$63,131,407	\$57,677,688	\$5,644,734	\$63,322,422	\$64,718,518	(\$1,396,096)
Less estimated income	63,131,407	57,677,688	5,644,734	63,322,422	64,718,518	(1,396,096)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	250.14	250.14	0.00	250.14	254.14	(4.00)

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Adds Funding for Contingent Litigation Fees and Costs ³	Adds Funding for Information Technology Projects and Business Process Analysis ⁴	Removes Funding for Business Process Analysis ⁵	Removes Funding for Information Technology Staffing Analysis ⁶
Workforce Safety and Insurance						
Workforce Safety and Insurance operation	1,397,598	(627,864)		4,725,000	(500,000)	(100,000)
Accrued leave payments						
Litigation Contingency			750,000			
Total all funds	\$1,397,598	(\$627,864)	\$750,000	\$4,725,000	(\$500,000)	(\$100,000)
Less estimated income	1,397,598	(627,864)	750,000	4,725,000	(500,000)	(100,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total Conference Committee Changes
Workforce Safety and Insurance	
Workforce Safety and Insurance operation	4,894,734
Accrued leave payments	
Litigation Contingency	750,000
Total all funds	\$5,644,734
Less estimated income	5,644,734
General fund	\$0
FTE	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ This amendment provides contingent funding for litigation costs that may be necessary in order to recover expenses paid to Aon eSolutions, the same as the Senate version. The Conference Committee made available any remaining unused funds to be spent by Workforce Safety and Insurance on the development or operation of information technology projects. In the event of a successful civil action, the moneys from settlement or court awards are to be retained in the Workforce Safety and Insurance fund and reported to the 64th Legislative Assembly.

⁴ This amendment adds funding for information technology projects, the same as the Senate version. The agency may determine which projects are developed. The Conference Committee made available \$500,000 included of this funding to be used for a business process analysis to be conducted by Workforce Safety and Insurance, the Information Technology Department, and a private consultant.

⁵ This amendment removes the funding added by the House for the business process analysis. The Senate also removed this funding.

⁶ This amendment removes the funding added by the House for an information technology staffing analysis. The Senate also removed this funding.