

**Workforce Safety and Insurance  
Budget 485  
House Bill No. 1021**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2013-15 legislative appropriation	250.14	\$0	\$63,322,422	\$63,322,422
2011-13 legislative appropriation	<u>247.14</u>	<u>0</u>	<u>58,413,293</u>	<u>58,413,293</u>
2013-15 appropriation increase (decrease) to 2011-13 appropriation	3.00	\$0	\$4,909,129	\$4,909,129

**Item Description**

**FTE position changes** - The Legislative Assembly authorized Workforce Safety and Insurance a total of 250.14 FTE positions, an increase of 3 FTE positions from the 2011-13 authorized level of 247.14 FTE positions. The increase includes the addition of 7 new FTE positions and a transfer of 4 information technology FTE positions to the Information Technology Department.

**Accrued leave payments** - In Section 1 of House Bill No. 1021, the Legislative Assembly identified \$1,662,965 from special funds for accrued leave payments.

**Financial reserves** - North Dakota Century Code Section 65-04-02 requires Workforce Safety and Insurance to maintain adequate financial reserves plus available surplus of at least 120 percent to a maximum of 140 percent of the actuarially established discounted reserve. Available surplus is defined as net assets as stated on the statement of net assets of the agency but does not include funds designated or obligated to specific programs or projects pursuant to a directive or specific approval by the Legislative Assembly.

If the level of financial reserves plus available surplus determined as of June 30 of any year is:

- Below 120 percent of the actuarially established discounted reserve, the agency may not issue premium dividends, and the agency is to recommend premium rate levels so that the agency is estimated to come into compliance within the following two years.
- Above 140 percent of the actuarially established discounted reserve, the agency is to issue premium dividends in a fiscally prudent manner so that the agency is estimated to come into compliance within the following two years.
- Between 120 percent and 130 percent of the actuarially established discounted reserve, the agency may not issue premium dividends.
- Between 130 percent and 140 percent of the actuarially established

**Status/Result**

Workforce Safety and Insurance anticipates filling all vacancies by the end of the biennium. Additional temporary employees have been hired to address increasing workloads. The 4 FTE positions were transferred from Workforce Safety and Insurance to the Information Technology Department, and the individuals remain located in the Workforce Safety and Insurance building. The positions were transferred in July 2013.

Workforce Safety and Insurance has spent \$19,551 from the accrued leave payments line item for accrued leave through December 2013. Workforce Safety and Insurance does not anticipate transferring funds from the accrued leave payments line item to the Workforce Safety and Insurance operations line item will be necessary.

As of June 30, 2013, Workforce Safety and Insurance's actuarially established discounted reserve was \$958.7 million. Based on Section 65-04-02, the fund surplus target was \$191.7 million to \$383.5 million. The fund surplus balance on June 30, 2013, was \$354.8 million, after deducting dividend payments of \$147,585,337. Of the \$354.8 million, \$10.8 million was committed to safety and education grants and \$14.8 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2013, was \$329.2 million, equivalent to 134.3 percent of the discounted reserve.

The Workforce Safety and Insurance Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2014. The dividend declaration is based on the fund surplus balance before any reductions for dividend payments. The fund surplus balance used to determine the dividend payments was \$476.7 million, equivalent to 149.7 percent of the discounted reserve.

discounted reserve, the agency may issue premium dividends. However, premium dividends issued may not exceed 40 percent of the preceding year's premium in any given year, and the level of financial reserves plus available surplus may not be reduced below 130 percent.

**Information technology transformation project** - The Legislative Assembly in 2007 provided an appropriation of \$14 million for the information technology transformation project for the 2007-09 biennium. In 2011 the Legislative Assembly appropriated an additional \$3 million for the project.

The information technology transformation project includes the replacement of existing core Workforce Safety and Insurance business applications with a commercial, off-the-shelf integrated software solution.

House Bill No. 1021 includes funding of \$750,000 for Workforce Safety and Insurance to pursue civil litigation relating to the project. Any unused litigation funding may be used by Workforce Safety and Insurance for the development or operation of information technology projects.

During the 2007-09 biennium, Workforce Safety and Insurance selected the Valley Oak Systems' iVOS product as the commercial off-the-shelf system and selected the vendor HCL to provide integration, validation, and management services related to the installation of the iVOS product. During project implementation, Valley Oak Systems was acquired by Aon plc. After failing to meet project completion deadlines, Workforce Safety and Insurance began withholding payments in September 2011. Workforce Safety and Insurance did not renew the project contract in December 2012 after Aon plc failed to provide adequate evidence that the project could be completed. The project was closed in December 2013 prior to completion of the iVOS software implementation. Two subprojects--a document scanning project and a document management project--were successfully completed.

The actual cost of the information technology transformation project was \$17,133,609, which consists of the \$14 million originally appropriated for the project, \$3 million of additional funding appropriated by the Legislative Assembly in 2011 for the project, and \$133,609 of internal reallocations. The agency is evaluating its legal options for possible litigation. The agency will continue to use its current system and plans to explore various options for a future project.