

**Workforce Safety and Insurance
Budget 485
Senate Bill No. 2021**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation	260.14	\$0	\$68,865,170	\$68,865,170
2013-15 legislative appropriation	250.14	0	63,322,422	63,322,422
2015-17 appropriation increase to 2013-15 appropriation	10.00	\$0	\$5,542,748	\$5,542,748
2015-17 general fund budget allotment (4.05 percent)	0	0	0	0
Adjusted 2015-17 appropriation after budget allotment	260.14	\$0	\$68,865,170	\$68,865,170

Item Description

General fund budget allotment – In February 2016, the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

FTE position changes - The Legislative Assembly authorized Workforce Safety and Insurance a total of 260.14 FTE positions, an increase of 10 FTE positions from the 2013-15 biennium authorized level of 250.14 FTE positions. The Legislative Assembly added 3 claims adjuster FTE positions, 2 nurse care manager FTE positions, 2 vocational rehabilitation case manager FTE positions, 1 underwriter FTE position, 1 physical therapist FTE position, and 1 collections specialist FTE position.

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 2 years.

Status/Result

Because Workforce Safety and Insurance does not receive any general fund appropriations, the budget allotment does not affect the agency. However, Workforce Safety and Insurance plans to reduce expenditures when applicable in order to remain consistent with other state agencies.

All additional FTE positions have been filled.

As of June 30, 2015, Workforce Safety and Insurance's actuarially established discounted reserve was \$1.097 billion. Based on Section 65-04-02, the fund surplus target was \$219.3 million to \$438.7 million. The fund surplus balance on June 30, 2015, was \$454.8 million, after deducting dividend payments of \$97.9 million. Of the \$454.8 million, \$12.9 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, 2015, was \$427.1 million, equivalent to 138.9 percent of the discounted reserve.

The Workforce Safety and Insurance Board of Directors declared a 30 percent dividend for premiums billed in fiscal year 2015. 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 \$525 million, which included the fund surplus balance of \$454.8 million and dividends expense of \$97.9 million, less \$12.9 million from safety and education grants and \$14.8 of educational revolving loan fund, equivalent to 147.9 percent of the discounted reserve.

- 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 2 years.
- Between 120 and 130 percent of the actuarially established discounted reserve, the agency may not issue premium dividends.
- Between 130 and 140 percent of the actuarially established 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 2007 Legislative Assembly appropriated \$14 million of special funds 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 (2013) included 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.

Senate Bill No. 2021 (2015) includes funding of \$1 million for Workforce Safety and Insurance to pursue civil litigation relating to the project. This appropriation replaces the \$750,000 of funding from 2013 House Bill No. 1021. Any unused litigation funding may be used by Workforce Safety and Insurance for the development or operation of information technology projects.

Claims and policy system – The Legislative Assembly authorized one-time funding for a computer software replacement project in the amount of \$6 million.

During the 2007-09 biennium, Workforce Safety and Insurance selected the Valley Oak Systems, Inc., iVOS product as the commercial off-the-shelf system and selected the vendor HCL Technologies Limited 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 amount spent on 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 filed suit against Aon plc and in December 2015 reached a settlement in which Workforce Safety and Insurance received a payment of \$5 million. The total spent for litigation related to the project was \$880,000. The agency continues to use its current system and has begun working on a new project for a new claims and policy system (see below).

Through March 2016, Workforce Safety and Insurance has spent approximately \$951,000 for the claims and policy system. The agency anticipates spending the \$6 million appropriation during the 2015-17 biennium. The project is expected to be continued into the 2017-19 biennium. Workforce Safety and Insurance anticipates requesting additional funding for the project for the 2017-19 biennium.