

**Workforce Safety and Insurance
Budget No. 485
House Bill No. 1021; Senate Bill No. 2021**

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriation	260.14	\$0	\$72,481,659	\$72,481,659
2015-17 legislative appropriation	260.14	0	68,865,170	68,865,170
2017-19 appropriation increase (decrease) to 2015-17 appropriation	0.00	\$0	\$3,616,489	\$3,616,489

Item Description

One-time funding - The 2017 Legislative Assembly identified \$9,008,597 of one-time funding for Workforce Safety and Insurance (WSI) for the 2017-19 biennium, including:

	Other Funds
Computer software replacement project	\$8,120,097
Extranet enhancement project	538,500
Internal reporting system project	275,000
Electronic payment processing system	75,000
Total	\$9,008,597

Status/Result

The following is a summary of the status of the WSI one-time funding items:

Computer software replacement project	See the claims and policy system section below.
Extranet enhancement project	Through March 2018 WSI spent \$367,342 of the \$538,500 appropriation. The agency anticipates an additional \$197,000 will be used on the project during the 2017-19 biennium by using savings from the claims and policy system project, resulting in a total of \$735,500 for the extranet enhancement project during the 2017-19 biennium. Workforce Safety and Insurance plans to request an additional \$850,000 from the 2019 Legislative Assembly to complete the project during the 2019-21 biennium, resulting in a total project cost of \$1,585,500.
Internal reporting system project	Through March 2018 WSI spent \$296,015 on the internal reporting system project, including the entire \$275,000 appropriation authorized by the 2017 Legislative Assembly. An estimated additional amount of \$27,500 is needed to complete the project, resulting in a total of \$302,500 for the project. The additional \$27,500, of which \$21,015 has been spent through March 2018, is available from savings from the claims and policy system project. The internal reporting system project is expected to be completed during the 2017-19 biennium.
Electronic payment processing system	See the electronic payment processing system section below.

Claims and policy system - In 2015 Senate Bill No. 2021, the Legislative Assembly authorized one-time funding for a computer software replacement project in the amount of \$6 million.

In 2017 House Bill No. 1021, the Legislative Assembly provided one-time funding of \$8,120,097 to continue the computer software replacement project, now known as the claims and policy system (CAPS).

Electronic payment processing system - In 2017 Senate Bill No. 2021, the Legislative Assembly authorized WSI to obtain a loan of \$36,000 from the Bank of North Dakota to pay the Information Technology Department to implement an electronic payment processing system to allow the agency to charge customers for the cost of processing credit card transactions. An appropriation of \$39,000 is also provided for the repayment of the loan, resulting in a total appropriation of \$75,000 to WSI in Senate Bill No. 2021.

Financial reserves - North Dakota Century Code Section 65-04-02 requires WSI 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.

After the planning and analysis phase was completed in June 2015, the remaining four phases of the CAPS project began in July 2015. The four phases include shared components refacing, policyholder services application refacing, claims management system refacing, and program finalization. The shared components refacing phase was completed in February 2017. The project also includes 20 releases, or major information technology subprojects. The project is designed to replace core WSI business systems, which support injury services and employer services, with current industry web-based technology in order to improve customer service, enhance system maintainability, and provide enhanced reporting and accessibility to information.

Workforce Safety and Insurance spent the entire \$6 million appropriation authorized by the 2015 Legislative Assembly during the 2015-17 biennium.

Through March 2018 WSI has spent \$1,897,710 of the \$8,120,097 appropriation authorized by the 2017 Legislative Assembly and anticipates spending an additional \$6.3 million of the appropriation during the remainder of the 2017-19 biennium. Due to the project reporting under budget, WSI anticipates utilizing \$224,500 of CAPS project savings for the extranet enhancement project (\$197,000) and the internal reporting system project (\$27,500).

Workforce Safety and Insurance anticipates Release 5 of CAPS will be completed in late June 2018 and Release 6 will start in early July 2018. The anticipated completion date for the entire project is during the 2025-27 biennium, as each release takes approximately 6 to 9 months to complete. Workforce Safety and Insurance will require additional funding in future bienniums to complete the project, as the total anticipated cost of the project is approximately \$30.1 million, including an actual cost of \$6 million from the 2015-17 biennium, a projected cost of \$6.3 million during the 2017-19 biennium, and an estimated cost of \$7.0 million during the 2019-21 biennium.

Workforce Safety and Insurance has declined implementation of the electronic payment processing system and therefore will not obtain a loan from the Bank of North Dakota. The decision to decline implementation is primarily due to concerns that charging customers a fee for credit card transactions would delay collection of outstanding accounts. Workforce Safety and Insurance has made efforts to realize savings related to credit card fees by not allowing each customer to pay more than \$100,000 per year by credit card and by offering customers the option of paying by automated clearing house (ACH), as WSI does not pay for ACH transactions.

As of June 30, 2017, WSI's actuarially established discounted reserve was \$1.086 billion. Based on Section 65-04-02, the fund surplus target was \$217.2 million to \$434.3 million. The fund surplus balance on June 30, 2017, was \$608.8 million, after deducting dividend payments of \$101.6 million. Of the \$608.8 million, \$19.8 million was committed to safety and education grants and \$14.6 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2017, was \$574.5 million, equivalent to 152.9 percent of the discounted reserve.

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.
- 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.
- 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.

The Workforce Safety and Insurance Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2017. 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 \$676 million, which included the fund surplus balance of \$608.8 million and dividends expense of \$101.6 million, less \$19.8 million of safety and education grants and \$14.6 million of educational revolving loan fund, equivalent to 162.3 percent of the discounted reserve.