

**Workforce Safety and Insurance
Budget 485
2009 House Bill No. 1021**

	FTE Positions	General Fund	Other Funds	Total
2009-11 legislative appropriation	247.14	\$0	\$56,877,605	\$56,877,605
2007-09 legislative appropriation	<u>237.14</u>	<u>0</u>	<u>53,241,155</u>	<u>53,241,155</u>
2009-11 appropriation increase (decrease) to 2007-09 appropriation	10.00	\$0	\$3,636,450	\$3,636,450

Item Description

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 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.

FTE positions - The 2009 Legislative Assembly authorized the director of Workforce Safety and Insurance to hire, upon a determination that employees are needed to facilitate the economic and efficient administration of the agency, up to 10 FTE positions for the vocational rehabilitation program.

Status/Result

As of June 30, 2009, Workforce Safety and Insurance's actuarially established discounted reserve was \$771.9 million. Based on Section 65-04-02, the fund surplus target was \$154.4 million to \$308.8 million. The fund surplus balance on June 30, 2009, was \$265.5 million. Of the \$265.5 million, \$16.8 million was committed to safety and education grants, \$15 million was committed to an educational revolving loan fund, and \$7 million was committed to the agency's information technology transformation project. Therefore, the available fund surplus on June 30, 2009, was \$226.7 million, equivalent to 129.4 percent of the discounted reserve.

The Workforce Safety and Insurance's Board of Directors did not declare a dividend for premiums billed in fiscal year 2010.

As of March 2010 Workforce Safety and Insurance has filled 1 of the 10 FTE positions authorized for the agency's vocational rehabilitation program.

Information technology transformation project - The 2009 Legislative Assembly provided funding of \$7,017,000 relating to the reauthorization for the information technology transformation project. The 2007 Legislative Assembly provided an appropriation of \$14 million for the project for the 2007-09 biennium. The agency estimated \$6,983,000 would be spent for the project during the 2007-09 biennium and funding of \$7,017,000 would be needed for the 2009-11 biennium.

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.

During the 2007-09 biennium, Workforce Safety and Insurance selected the Aon eSolutions' 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. The project is experiencing schedule delays due to delays in completion of technical specifications and corresponding custom development. The agency anticipates the project to be completed in June or July 2011, approximately 18 months later than the original estimated completion date of December 2009.