

# **State of Alaska FY2005 Governor's Operating Budget**

## **Department of Administration Risk Management RDU/Component Budget Summary**

# Contents

<b>RDU/Component: Risk Management</b>	<b>3</b>
Component Financial Summary	5
Summary of Component Budget Changes	6
Personal Services Information	7

**RDU/Component: Risk Management***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Mitigate state's risk of financial loss (cost of risk) from accidental loss and injury.

**Core Services**

Claims processing, litigation management, contract review, insurance administration and consulting.

**FY2005 Resources Allocated to Achieve Results**

<b>FY2005 Component Budget: \$24,505,500</b>	<b>Personnel:</b>	
	Full time	6
	Part time	0
	<b>Total</b>	<b>6</b>

**Key Component Challenges**

Risk Management (RM), exclusively funded by interagency receipts, attempts to pay all claim settlements and defense costs as they become due and payable, drawing from the Catastrophic Reserve Account (CRA) whenever there is insufficient appropriation to meet ongoing claim obligations.

Financing of the state's comprehensive self-insurance program continues to be dependent on the CRA to meet the actual cost of risk each year. This account is annually refilled by a year-end "sweep" of unexpended general funds from other state operating budgets. Over the last five fiscal years, RM has averaged total cost of risk expenditures greater than \$8.2 million beyond authorized appropriations. In FY2003 \$16.9 million was expended beyond RM's appropriation - using third party recoveries, insurance receipts, the full CRA and additional direct legislative appropriation of over \$7.5 million.

As was the case last year, continued increased premiums were experienced at FY2004 coverage renewals.

**Significant Changes in Results to be Delivered in FY2005**

- Participate in new return to work program (Work First) mitigating long term workers compensation disability benefits
- Issue new RFP for broker selection enabling longer response period and increased competition

**Major Component Accomplishments in 2003**

- Support successful jury trial defense verdict on major class action for wild land urban interface fire claims
- Reach final resolution of insurance coverage dispute and all legal claims on 10 year old aircraft loss
- Continue to manage owner provided insurance program for Ted Stevens Anchorage International Airport expansion project – present and collect initial recovery - major windstorm loss
- Underwrite workplace violence, marine employee fire response, workplace safety and emergency medical training programs and limited security patrol services
- Advise agency safety committees focusing on workers' compensation loss trends to develop prevention strategies
- Address high risk agency supervisors explaining tort liability, review operating practices to mitigate future loss exposures

## Statutory and Regulatory Authority

AS 23.30.045 Employer's liability for compensation  
AS 23.30.090 Self-insurance certificates  
AS 37.05.287 Insurance for State assets  
AS 37.05.289 State insurance catastrophe reserve account  
AS 09.50.250 Actionable claims against the State  
AS 44.21.040 Records or accounts of claims and warrants  
AS 09.50.270 Payment of judgment against the State

Contact Information
<p><b>Contact:</b> Brad Thompson, Director <b>Phone:</b> (907) 465-5723 <b>Fax:</b> (907) 465-3690 <b>E-mail:</b> Brad_Thompson@admin.state.ak.us</p>

**Risk Management  
Component Financial Summary**

*All dollars shown in thousands*

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	472.9	479.5	501.1
72000 Travel	8.7	17.4	17.4
73000 Contractual	23,746.0	23,973.5	23,973.5
74000 Supplies	4.8	10.0	10.0
75000 Equipment	117.8	3.5	3.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>24,350.2</b>	<b>24,483.9</b>	<b>24,505.5</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	24,350.2	24,483.9	24,505.5
<b>Funding Totals</b>	<b>24,350.2</b>	<b>24,483.9</b>	<b>24,505.5</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	506.0	506.0	506.0
<b>Unrestricted Total</b>		<b>506.0</b>	<b>506.0</b>	<b>506.0</b>
<b>Restricted Revenues</b>				
Interagency Receipts	51015	24,350.2	24,483.9	24,505.5
<b>Restricted Total</b>		<b>24,350.2</b>	<b>24,483.9</b>	<b>24,505.5</b>
<b>Total Estimated Revenues</b>		<b>24,856.2</b>	<b>24,989.9</b>	<b>25,011.5</b>

**Summary of Component Budget Changes  
From FY2004 Authorized to FY2005 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2004 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>24,483.9</b>	<b>24,483.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	21.6	21.6
<b>FY2005 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>24,505.5</b>	<b>24,505.5</b>

<b>Risk Management Personal Services Information</b>				
<b>Authorized Positions</b>			<b>Personal Services Costs</b>	
	<b>FY2004 Authorized</b>	<b>FY2005 Governor</b>		
Full-time	6	6	Annual Salaries	371,700
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	145,752
			<i>Less 3.16% Vacancy Factor</i>	(16,352)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>Total Personal Services</b>	<b>501,100</b>

<b>Position Classification Summary</b>					
<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Accountant III	0	0	1	0	1
Accounting Clerk II	0	0	1	0	1
Claims Administrator	0	0	2	0	2
Division Director	0	0	1	0	1
Risk Manager	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>