

State of Alaska FY2013 Governor's Operating Budget

Department of Labor and Workforce Development Workers' Compensation Benefits Guaranty Fund Component Budget Summary

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| Component: Workers' Compensation Benefits Guaranty Fund |
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Contribution to Department's Mission

The Workers' Compensation Benefits Guaranty Fund component contributes to the department's mission by paying benefits to workers who have been injured while working for an employer that was not in compliance with the Workers' Compensation Act and fails to pay benefits owed the injured worker.

Core Services

- Provide Workers' Compensation benefits to injured employees of uninsured employers.
- Collect penalties from uninsured employers.
- Seek reimbursement of benefit payments from uninsured employers.

Key Component Challenges

In FY2011, the Workers' Compensation division issued \$355.6 in civil fines. In addition, the Workers' Compensation Benefits Guaranty Fund assessed \$3,027.0 in penalties. Of these amounts, only \$1.5 million (approximately 46 percent) has been recovered. The department is unable to pay claims to injured workers' of uninsured employers beyond the amount in the fund. Improved collections are necessary to ensure a fund balance that exceeds the claims against the fund.

Significant Changes in Results to be Delivered in FY2013

A collections officer in the Workers' Compensation Benefits Guaranty Fund component will take steps to increase collection of fines through methods such as billing employers monthly, following-up with delinquent employers, serving notice on delinquent employers, and preparing petitions for judgment to the Superior Court. Based on industry averages this position should take the division's collection rate from 49 percent to approximately 83 percent, providing an additional \$1.3 million in collected revenue.

Major Component Accomplishments in 2011

No major accomplishments

Statutory and Regulatory Authority

AS 23.30.082 Workers' Compensation Benefits Guaranty Fund

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|---|
| Contact Information |
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| Workers' Compensation Benefits Guaranty Fund Component Financial Summary | | | |
|---|-----------------------|---------------------------------------|------------------------|
| | | <i>All dollars shown in thousands</i> | |
| | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 0.0 | 0.0 | 83.9 |
| 72000 Travel | 0.0 | 0.0 | 0.0 |
| 73000 Services | 40.0 | 100.0 | 110.3 |
| 74000 Commodities | 0.0 | 0.0 | 9.0 |
| 75000 Capital Outlay | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Benefits | 370.9 | 180.0 | 400.0 |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 |
| Expenditure Totals | 410.9 | 280.0 | 603.2 |
| Funding Sources: | | | |
| 1203 Workers' Compensation Benefits Guaranty Fund | 410.9 | 280.0 | 603.2 |
| Funding Totals | 410.9 | 280.0 | 603.2 |

| Estimated Revenue Collections | | | | |
|--|---------------------------------------|-----------------------|-----------------------------------|------------------------|
| Description | Master Revenue Account | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
| Unrestricted Revenues | | | | |
| Worker's Compensation Benefits Guarantee | 51491 | 410.9 | 280.0 | 603.2 |
| Unrestricted Total | | 410.9 | 280.0 | 603.2 |
| Restricted Revenues | | | | |
| None. | | 0.0 | 0.0 | 0.0 |
| Restricted Total | | 0.0 | 0.0 | 0.0 |
| Total Estimated Revenues | | 410.9 | 280.0 | 603.2 |

**Summary of Component Budget Changes
From FY2012 Management Plan to FY2013 Governor**

All dollars shown in thousands

| | <u>Unrestricted Gen (UGF)</u> | <u>Designated Gen (DGF)</u> | <u>Other Funds</u> | <u>Federal Funds</u> | <u>Total Funds</u> |
|---|-----------------------------------|---------------------------------|--------------------|--------------------------|--------------------|
| FY2012 Management Plan | 0.0 | 280.0 | 0.0 | 0.0 | 280.0 |
| Proposed budget increases: | | | | | |
| -Workers' Compensation Benefits Guaranty Fund Collections Officer Funding | 0.0 | 103.2 | 0.0 | 0.0 | 103.2 |
| -Grant Expenditure Authorization for Anticipated Benefit Payment Needs | 0.0 | 220.0 | 0.0 | 0.0 | 220.0 |
| FY2013 Governor | 0.0 | 603.2 | 0.0 | 0.0 | 603.2 |

**Workers' Compensation Benefits Guaranty Fund
Personal Services Information**

| Authorized Positions | | | Personal Services Costs | |
|-----------------------------|---------------------------------------|----------------------------|----------------------------------|---------------|
| | FY2012 Management Plan | FY2013 Governor | | |
| Full-time | 0 | 1 | Annual Salaries | 49,980 |
| Part-time | 0 | 0 | Premium Pay | 0 |
| Nonpermanent | 0 | 0 | Annual Benefits | 33,913 |
| | | | <i>Less 0.00% Vacancy Factor</i> | (0) |
| | | | Lump Sum Premium Pay | 0 |
| Totals | 0 | 1 | Total Personal Services | 83,893 |

Position Classification Summary

| Job Class Title | Anchorage | Fairbanks | Juneau | Others | Total |
|------------------------|------------------|------------------|---------------|---------------|--------------|
| Collections Officer | 0 | 0 | 1 | 0 | 1 |
| Totals | 0 | 0 | 1 | 0 | 1 |

Component Detail All Funds
Department of Labor and Workforce Development

Component: Workers' Compensation Benefits Guaranty Fund (2820)

RDU: Workers' Compensation (112)

| | FY2011 Actuals | FY2012 Conference Committee | FY2012 Authorized | FY2012 Management Plan | FY2013 Governor | FY2012 Management Plan vs FY2013 Governor |
|-----------------------------------|----------------|-----------------------------|-------------------|------------------------|-----------------|---|
| 71000 Personal Services | 0.0 | 0.0 | 0.0 | 0.0 | 83.9 | 83.9 100.0% |
| 72000 Travel | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| 73000 Services | 40.0 | 100.0 | 100.0 | 100.0 | 110.3 | 10.3 10.3% |
| 74000 Commodities | 0.0 | 0.0 | 0.0 | 0.0 | 9.0 | 9.0 100.0% |
| 75000 Capital Outlay | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| 77000 Grants, Benefits | 370.9 | 180.0 | 180.0 | 180.0 | 400.0 | 220.0 122.2% |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| Totals | 410.9 | 280.0 | 280.0 | 280.0 | 603.2 | 323.2 115.4% |
| Fund Sources: | | | | | | |
| 1203 WCBG Fund (DGF) | 410.9 | 280.0 | 280.0 | 280.0 | 603.2 | 323.2 115.4% |
| Unrestricted General (UGF) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| Designated General (DGF) | 410.9 | 280.0 | 280.0 | 280.0 | 603.2 | 323.2 115.4% |
| Other Funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| Federal Funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 0.0% |
| Positions: | | | | | | |
| Permanent Full Time | 0 | 0 | 0 | 0 | 1 | 1 100.0% |
| Permanent Part Time | 0 | 0 | 0 | 0 | 0 | 0 0.0% |
| Non Permanent | 0 | 0 | 0 | 0 | 0 | 0 0.0% |

Change Record Detail - Multiple Scenarios With Descriptions
Department of Labor and Workforce Development

Component: Workers' Compensation Benefits Guaranty Fund (2820)

RDU: Workers' Compensation (112)

| Scenario/Change Record Title | Trans Type | Totals | Personal Services | Travel | Services | Commodities | Capital Outlay | Grants, Benefits | Miscellaneous | Positions | | NP |
|--|------------|--------------|-------------------|------------|--------------|-------------|----------------|------------------|---------------|-----------|----------|----------|
| | | | | | | | | | | PFT | PPT | |
| ***** Changes From FY2012 Conference Committee To FY2012 Authorized ***** | | | | | | | | | | | | |
| FY2012 Conference Committee | | | | | | | | | | | | |
| ConfCom | | 280.0 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 | 180.0 | 0.0 | 0 | 0 | 0 |
| 1203 WCBG Fund | | 280.0 | | | | | | | | | | |
| Subtotal | | 280.0 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 | 180.0 | 0.0 | 0 | 0 | 0 |
| ***** Changes From FY2012 Authorized To FY2012 Management Plan ***** | | | | | | | | | | | | |
| Subtotal | | 280.0 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 | 180.0 | 0.0 | 0 | 0 | 0 |
| ***** Changes From FY2012 Management Plan To FY2013 Governor ***** | | | | | | | | | | | | |
| Transfer Employment Security Analyst III, PCN 21-3047 from Employment and Training Services | | | | | | | | | | | | |
| Trin | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 | 0 | 0 |

Transfer a vacant Employment Security Analyst III, PCN 21-3047, from the Employment and Training Services (ETS) component to the Workers' Compensation Benefits Guaranty Fund (WCBGF) component for reclassification to a Collections Officer.

A Collections Officer is needed in WCBGF to help increase collections to the fund. Since inception (FY2005), the Workers' Compensation fraud unit has assessed approximately \$3.5 million in penalties to employers who failed to carry workers' compensation insurance. Only \$1.6 million, or about 46 percent, has been collected to date. Based on industry averages, a collections officer would increase the division's collection rate to approximately 83 percent, providing an additional \$1.3 million in collected revenue. This position will allow the fund to bill employers monthly, follow-up with delinquent employers, serve notice on delinquent employers, and prepare petitions for judgment to the Superior Court. The department is unable to pay claims to injured workers' of uninsured employers beyond the amount in the Workers' Compensation Benefits Guaranty Fund. If the claims against the fund exceed collections the department will cease paying claims until there is a fund balance.

This was a vacant position within ETS that could not be filled due to federal funding shortfalls. In the WCBGF component the position will be supported by the Workers' Compensation Benefits Guaranty Fund.

If this request is not approved, the department will be unable to use available resources to most effectively meet existing needs; collections will likely remain around 46 percent putting the fund balance at risk of depletion.

Workers' Compensation Benefits Guaranty Fund Collections Officer Funding

| | | | | | | | | | | | | |
|----------------|--|-------|------|-----|------|-----|-----|-----|-----|---|---|---|
| Inc | | 103.2 | 83.9 | 0.0 | 10.3 | 9.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| 1203 WCBG Fund | | 103.2 | | | | | | | | | | |

Additional Workers' Compensation Benefits Guaranty Fund authorization is needed to support a collections officer position that will help increase collections to the fund. The department has identified an existing vacant position to transfer to the Workers' Compensation Benefits Guaranty Fund component.

Since inception (FY2005), the Workers' Compensation fraud unit has assessed approximately \$3.5 million in penalties to employers who failed to carry workers' compensation insurance. Only \$1.6 million, or about 46 percent, has been collected to date. Based on industry averages, a collections officer would increase the

Change Record Detail - Multiple Scenarios With Descriptions
Department of Labor and Workforce Development

Component: Workers' Compensation Benefits Guaranty Fund (2820)

RDU: Workers' Compensation (112)

| Scenario/Change Record Title | Trans Type | Totals | Personal Services | Travel | Services | Commodities | Capital Outlay | Grants, Benefits | Miscellaneous | Positions | | NP |
|--|---------------|--------------|----------------------|------------|--------------|-------------|----------------|------------------|---------------|-----------|----------|----------|
| | | | | | | | | | | PFT | PPT | |
| <p>division's collection rate to approximately 83 percent, providing an additional \$1.3 million in collected revenue. This position will allow the fund to bill employers monthly, follow-up with delinquent employers, serve notice on delinquent employers, and prepare petitions for judgment to the Superior Court. The department is unable to pay claims to injured workers' of uninsured employers beyond the amount in the Workers' Compensation Benefits Guaranty Fund. If the claims against the fund exceed collections the department will cease paying claims until there is a fund balance.</p> <p>If this request is not approved, collections will likely remain around 46 percent putting the fund balance at risk of depletion.</p> | | | | | | | | | | | | |
| Grant Expenditure Authorization for Anticipated Benefit Payment Needs | | | | | | | | | | | | |
| 1203 WCBG Fund | Inc | 220.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 220.0 | 0.0 | 0 | 0 | 0 |
| <p>Workers' Compensation Benefits Guaranty Fund authorization increase is needed in the grants line to meet anticipated benefit payment needs in FY2013 and future years. There is not excess authority in the component's other lines to address the anticipated benefit payments. Recent Alaska Workers' Compensation Board and Workers' Compensation Appeals Commission decisions have ruled that the fund must pay benefits within 30 days of a Decision & Order or be subject to interest on the unpaid balance. Failure to obtain an increase in the grants and benefits line will delay the fund's ability to pay benefits and may result in additional interest charges to the fund which will reduce funds available to pay benefits.</p> | | | | | | | | | | | | |
| Totals | | 603.2 | 83.9 | 0.0 | 110.3 | 9.0 | 0.0 | 400.0 | 0.0 | 1 | 0 | 0 |

Department of Labor and Workforce Development

Scenario: FY2013 Governor (9494)
Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| PCN | Job Class Title | Time Status | Retire Code | Barg Unit | Location | Salary Sched | Range / Step | Comp Months | Split / Count | Annual Salaries | COLA | Premium Pay | Annual Benefits | Total Costs | GF Amount |
|--------------------------------|---------------------|-------------|-------------|-----------|----------|--------------|--------------|-------------|---------------|-----------------|------|-------------|---|-------------|-----------|
| 21-3047 | Collections Officer | FT | A | GP | Juneau | 205 | 16A | 12.0 | | 49,980 | 0 | 0 | 33,913 | 83,893 | 83,893 |
| | | | | | | | | | | | | | Total Salary Costs: | 49,980 | |
| | | | | | | | | | | | | | Total COLA: | 0 | |
| | | | | | | | | | | | | | Total Premium Pay:: | 0 | |
| | | | | | | | | | | | | | Total Benefits: | 33,913 | |
| | | | | | | | | | | | | | Total Pre-Vacancy: | 83,893 | |
| | | | | | | | | | | | | | Minus Vacancy Adjustment of 0.00%: | (0) | |
| | | | | | | | | | | | | | Total Post-Vacancy: | 83,893 | |
| | | | | | | | | | | | | | Plus Lump Sum Premium Pay: | 0 | |
| | | | | | | | | | | | | | Personal Services Line 100: | 83,893 | |
| Total Component Months: | | 12.0 | | | | | | | | | | | | | |

| PCN Funding Sources: | Pre-Vacancy | Post-Vacancy | Percent |
|---|--------------------|---------------------|----------------|
| 1203 Workers' Compensation Benefits Guaranty Fund | 83,893 | 83,893 | 100.00% |
| Total PCN Funding: | 83,893 | 83,893 | 100.00% |

Line Item Detail
Department of Labor and Workforce Development
Services

Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| Line Number | Line Name | | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
|-------------------------------------|--------------------------------|--|--|----------------|------------------------|-----------------|
| 73000 | Services | | | 40.0 | 100.0 | 110.3 |
| Expenditure Account | Servicing Agency | Explanation | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
| 73000 Services Detail Totals | | | | 40.0 | 100.0 | 110.3 |
| 73150 | Information Technlgy | Maintenance and licensing costs for program specific software Maintenance and licensing costs for program specific software | | 1.2 | 1.5 | 1.5 |
| 73750 | Other Services (Non IA Svcs) | To hire an adjuster to review workers' compensation claims filed against the Benefits Guaranty Fund. To hire an adjuster to review workers' compensation claims filed against the Workers' Compensation Benefits Guaranty Fund. | | 32.5 | 98.5 | 108.8 |
| 73804 | Economic/Development (IA Svcs) | Data Processing Workers' Compensation SAGE Workers' Compensation SAGE | | 0.3 | 0.0 | 0.0 |
| 73812 | Legal | Law Legal support services (I/A transfer to LAW) Legal support services (I/A transfer to LAW) | | 6.0 | 0.0 | 0.0 |

Line Item Detail
Department of Labor and Workforce Development
Commodities

Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| Line Number | Line Name | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
|--|-------------------------|---|-----------------------|-------------------------------|------------------------|
| 74000 | Commodities | | 0.0 | 0.0 | 9.0 |
| | | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
| Expenditure Account | Servicing Agency | Explanation | | | |
| 74000 Commodities Detail Totals | | | 0.0 | 0.0 | 9.0 |
| 74200 | Business | General office supplies and reference materials | 0.0 | 0.0 | 9.0 |

Line Item Detail
Department of Labor and Workforce Development
Grants, Benefits

Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| Line Number | Line Name | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
|---|-------------------------|--|-----------------------|-------------------------------|------------------------|
| 77000 | Grants, Benefits | | 370.9 | 180.0 | 400.0 |
| | | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
| Expenditure Account | Servicing Agency | Explanation | | | |
| 77000 Grants, Benefits Detail Totals | | | 370.9 | 180.0 | 400.0 |
| 77670 | Benefits | Benefits to workers who were injured while working for an employer without workers' compensation insurance. Benefits to workers who were injured while working for an employer without workers' compensation insurance. | 370.9 | 180.0 | 400.0 |

Unrestricted Revenue Detail
Department of Labor and Workforce Development

Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| Master Account | Revenue Description | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
|-----------------------|--|-----------------------|-------------------------------|------------------------|
| 51491 | Worker's Compensation Benefits Guarantee | 410.9 | 280.0 | 603.2 |

| Detail Information | | | | | FY2011 Actuals | FY2012 Management Plan | FY2013 Governor |
|---------------------------|--|---------------------------|-------------------------|-------------------|-----------------------|-------------------------------|------------------------|
| Revenue Amount | Revenue Description | Component | Collocation Code | AKSAS Fund | | | |
| 51491 | Worker's Compensation Benefits Guarantee | WC Benefits Guaranty Fund | 7330600 | 11186 | 410.9 | 280.0 | 603.2 |

The Workers' Compensation Benefits Guaranty Fund (AS 23.30.082) consists of revenue from penalties and fines assessed against employers that do not comply with the requirements of AS 23.30 or the orders of the Alaska Workers' Compensation Board.

These funds are used to support claim determinations and to pay benefits to injured workers.
 The Workers' Compensation Benefits Guaranty Fund revenues come from penalties and fines assessed against employers that do not comply with the requirements of AS 23.30 or the orders of the Alaska Workers' Compensation Board.

These funds are used to support claim determinations and to pay benefits to injured workers.

Inter-Agency Services
Department of Labor and Workforce Development

Component: Workers' Compensation Benefits Guaranty Fund (2820)
RDU: Workers' Compensation (112)

| Expenditure Account | Service Description | Service Type | Servicing Agency | FY2011 Actuals | FY2012 | |
|--|--------------------------------|--|-------------------------------|----------------|-----------------|-----------------|
| | | | | | Management Plan | FY2013 Governor |
| 73804 | Economic/Development (IA Svcs) | Workers' Compensation SAGE Workers' Compensation SAGE | Intra-dept Data Processing | 0.3 | 0.0 | 0.0 |
| 73804 Economic/Development (IA Svcs) subtotal: | | | | 0.3 | 0.0 | 0.0 |
| 73812 | Legal | Legal support services (I/A transfer to LAW) Legal support services (I/A transfer to LAW) | Inter-dept Law | 6.0 | 0.0 | 0.0 |
| 73812 Legal subtotal: | | | | 6.0 | 0.0 | 0.0 |
| Workers' Compensation Benefits Guaranty Fund total: | | | | 6.3 | 0.0 | 0.0 |
| Grand Total: | | | | 6.3 | 0.0 | 0.0 |