

State of Alaska FY2018 Governor's Operating Budget

Department of Administration Risk Management RDU/Component Budget Summary

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.

Major Component Accomplishments in 2016

- Reduced claim costs by 25% over FY2015.
- Near completion of the Kodiak Launch Complex claim, total claim estimated at approximately \$34,000,000.
- Underwrite marine employee safety response and vessel safety inspections, for the Alaska Marine Highway System (AMHS) ferry vessels.
- Continued training leasing/contract officers on indemnity terms; insurance requirements; and acceptable certificates of insurance.
- The Light Duty Return to Work program has realized \$524,946 in time loss benefit savings and 40% participation for eligible employees for FY2016 by putting injured employees back to work with temporary modifications to their position descriptions.

Key Component Challenges

Budget Management - In FY2016 Risk Management was able to reduce claim costs by 25% over FY2015 costs. Additionally, for the first time since FY2007, Risk Management did not spend their full allocated budget or submit any claim settlements on the Judgment Bill Department of Law submits each year. The division worked aggressively to reduce workers' compensation costs as well as legal expenses. Risk Management was able to lapse some authorization into the Catastrophic Reserve Account (Catfund) at the end of FY2016.

Worker's Compensation Claims - Reducing Worker's Compensation costs continue to be a challenge. The goal is to return worker's to work as soon as possible and Risk Management continued to have success in the Light Duty Return to Work program in FY2016. The goal when the program began in FY2013 was 25% of time loss claims having injured workers going back to work in a modified capacity. The program coordinator continues to work with Division of Personnel and Human Resources to place injured workers back to work. Currently, there is about a 40% return for eligible employees with an FY2016 savings of \$524,946. This is nearly double the savings experienced in FY2015.

Excess insurance coverage vs self-insured – Risk Management continues to balance the need for excess insurance versus the self-insured programs. Currently there are three programs with excess insurance: property, aviation and marine. Every year during renewals the division evaluates the levels necessary to protect the state assets while not over insuring the risk. This year renewals were showing a softening of the market for property and marine. The division anticipates a savings of approximately \$500,000 over FY2016 excess insurance premiums for FY2017. The division maintained their current excess insurance coverage of \$200,000,000 for fire loss, and \$50,000,000 for Earthquake & Flood.

Contractor Liability - Risk Management continues to work with state contracting officers to protect the interests of the state, but not be so restrictive as to limit the potential bidders on these contracts. This is accomplished by reviewing each individual contract and its risks presented to us, and tailoring the final terms to the unique activity of that agreement.

Significant Changes in Results to be Delivered in FY2018

S.M.A.R.T. goals will be implemented to help streamline efficiencies in agencies reporting workers' compensation injuries as well as reducing workers compensation costs through reduced medical and returning injured employees to work in light duty capacities.

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
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Risk Management Personal Services Information				
Authorized Positions			Personal Services Costs	
	<u>FY2017</u> <u>Management</u> <u>Plan</u>	<u>FY2018</u> <u>Governor</u>		
Full-time	5	5	Annual Salaries	441,226
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	239,387
			<i>Less 1.12% Vacancy Factor</i>	<i>(7,613)</i>
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	673,000

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Claims Administrator	0	0	2	0	2
Division Director	0	0	1	0	1
Project Assistant	0	0	1	0	1
Risk Manager	0	0	1	0	1
Totals	0	0	5	0	5

Component Detail All Funds
Department of Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Non-Formula Component

	FY2016 Actuals	FY2017 Conference Committee	FY2017 Authorized	FY2017 Management Plan	FY2018 Governor	FY2017 Management Plan vs FY2018 Governor	
71000 Personal Services	673.0	709.0	709.0	667.0	673.0	6.0	0.9%
72000 Travel	3.5	13.0	13.0	13.0	13.0	0.0	0.0%
73000 Services	38,637.8	40,519.1	40,519.1	40,561.1	40,061.1	-500.0	-1.2%
74000 Commodities	13.9	13.5	13.5	13.5	13.5	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	39,328.2	41,254.6	41,254.6	41,254.6	40,760.6	-494.0	-1.2%
Fund Sources:							
10071/A Rcpts (Other)	39,328.2	41,254.6	41,254.6	41,254.6	40,760.6	-494.0	-1.2%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	39,328.2	41,254.6	41,254.6	41,254.6	40,760.6	-494.0	-1.2%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	5	5	5	5	5	0	0.0%
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 Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2017 Conference Committee To FY2017 Authorized *****												
FY2017 Conference Committee												
1007 I/A Rcpts	ConfCom	41,254.6	709.0	13.0	40,519.1	13.5	0.0	0.0	0.0	5	0	0
		41,254.6										
Subtotal		41,254.6	709.0	13.0	40,519.1	13.5	0.0	0.0	0.0	5	0	0
***** Changes From FY2017 Authorized To FY2017 Management Plan *****												
Align Authority with Projected Expenditures												
	LIT	0.0	-42.0	0.0	42.0	0.0	0.0	0.0	0.0	0	0	0
Transfer authority from personal services to services to comply with vacancy factor guidelines and to meet projected operational needs.												
Subtotal		41,254.6	667.0	13.0	40,561.1	13.5	0.0	0.0	0.0	5	0	0
***** Changes From FY2017 Management Plan To FY2018 Governor *****												
FY2018 Salary and Health Insurance Increases												
1007 I/A Rcpts	SalAdj	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Includes: ACOA COLA, 2.25% per contract ending 6/30/2018; GGU HI increase from \$1346 to \$1389; LTC HI increase from \$1363 to \$1432.: \$1.5												
FY2018 PS Health Ins.: \$1.5												
Reduce Authority to Align with Anticipated Expenses												
1007 I/A Rcpts	Dec	-500.0	0.0	0.0	-500.0	0.0	0.0	0.0	0.0	0	0	0
Reduce interagency authority no longer needed based on projected services expenses. The remaining services authority is sufficient to cover anticipated expenses for FY2018.												
Supervisory Unit 15 Hour Furlough Contract Terms												
1007 I/A Rcpts	SalAdj	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Alaska Public Employees Association, supervisory unit, 15 hours of furlough required for each permanent full-time employee in each year from July 1, 2016 to June 30, 2018.												
FY2018 Alaska Care & PSEA Health Insurance Increase												
1007 I/A Rcpts	SalAdj	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

Change Record Detail - Multiple Scenarios with Descriptions
Department of Administration

Component: Risk Management (71)
RDU: Risk Management (23)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		
										PFT	PPT	NP
Alaska Care rate increase from \$1346 to \$1555 per month for APEA members. \$2.5												
Alaska Care rate increase from \$1346 to \$1555 per month for exempt and partially exempt employees. \$2.5												
	Totals	40,760.6	673.0	13.0	40,061.1	13.5	0.0	0.0	0.0	5	0	0

Personal Services Expenditure Detail
Department of Administration

Scenario: FY2018 Governor (13956)
Component: Risk Management (71)
RDU: Risk Management (23)

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	UGF Amount
02-0010	Division Director	FT	A	XE	Juneau	99	27K	12.0		143,526	0	0	67,275	210,801	0
02-0015	Claims Administrator	FT	1	GP	Juneau	205	19C / D	12.0		71,365	0	0	41,463	112,828	0
02-0017	Project Assistant	FT	A	GP	Juneau	205	16G / J	12.0		66,161	0	0	39,666	105,827	0
02-0020	Risk Manager	FT	A	SS	Juneau	205	22E / F	12.0		94,214	0	0	51,387	145,601	0
02-0022	Claims Administrator	FT	A	GP	Juneau	205	19A / B	12.0		65,960	0	0	39,596	105,556	0
Total													Total Salary Costs:	441,226	
Positions													Total COLA:	0	
Full Time Positions:													Total Premium Pay:	0	
Part Time Positions:													Total Benefits:	239,387	
Non Permanent Positions:															
Positions in Component:													Total Pre-Vacancy:	680,613	
													Minus Vacancy Adjustment of 1.12%:	(7,613)	
													Total Post-Vacancy:	673,000	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	673,000	

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1007 Interagency Receipts	680,613	673,000	100.00%
Total PCN Funding:	680,613	673,000	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail (1676)
Department of Administration
Travel

Component: Risk Management (71)

Line Number	Line Name		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
2000	Travel		3.5	13.0	13.0
Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
2000 Travel Detail Totals			3.5	13.0	13.0
2000	In-State Employee Travel	Transportation costs for travel relating to administration, training, conventions and meetings, boards and commissions	3.5	13.0	13.0

Line Item Detail (1676)
Department of Administration
Services

Component: Risk Management (71)

Line Number	Line Name		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor	
3000	Services		38,637.8	40,561.1	40,061.1	
Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor	
3000 Services Detail Totals			38,637.8	40,561.1	40,061.1	
3000	Education Services	Training, educational conferences, agency memberships, and employee tuition	0.4	0.4	0.4	
3001	Financial Services	Accounting, auditing, management consulting and fees	33,020.7	34,944.0	34,444.0	
3003	Information Technology	Software licensing and maintenance, training, and consulting	85.7	85.7	85.7	
3004	Telecommunications	Local, long distance, and cellular telephone charges, television, data/network, telecommunication equipment, and other wireless charges from outside vendors	0.6	0.6	0.6	
3008	Utilities	Electricity, heating fuel, water, sewage and disposal services	0.1	0.1	0.1	
3009	Structure/Infrastructure/Land	Structure, infrastructure and land repairs, maintenance, rental, and leases	0.4	0.4	0.4	
3010	Equipment/Machinery	Machinery, furniture and office equipment purchase, repairs, maintenance, rentals, and leases	0.2	0.2	0.2	
3011	Other Services	Professional service contracts for claims adjusting services, insurance	1,105.2	1,105.2	1,105.2	
3017	Inter-Agency Information Technology Non-Telecommunications	Admin - Enterprise Technology Services (2082)	Enterprise Productivity Rate (EPR) computer services	3.3	3.3	3.3
3018	Inter-Agency Information Technology Telecommunications	Admin - Enterprise Technology Services (2082)	Enterprise Productivity Rate (EPR) telecommunications and telephone line services	7.3	7.3	7.3

Line Item Detail (1676)
Department of Administration
Services

Component: Risk Management (71)

Object Class		Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
3000 Services Detail Totals				38,637.8	40,561.1	40,061.1
3021	Inter-Agency Mail	Admin - Print Services (2333)	Centralized mail services chargeback	22.9	22.9	22.9
3022	Inter-Agency Human Resources	Admin - Personnel (56)	Human Resources services chargeback	90.3	90.3	90.3
3023	Inter-Agency Building Leases	Admin - Facilities (2429)	Building facility rent	42.5	42.5	42.5
3024	Inter-Agency Legal	Law - Department-wide	Tort Claims RSA with Department of Law	3,286.8	3,286.8	3,286.8
3026	Inter-Agency Insurance	Admin - Risk Management (71)	Workers compensation and liability claims reimbursement	568.6	568.6	568.6
3026	Inter-Agency Insurance	Labor - Department-wide	WSCAA Fee and Second Injury Fund payment	364.9	364.9	364.9
3027	Inter-Agency Financial	Admin - Finance (59)	State payroll and accounting system chargeback	1.5	1.5	1.5
3038	Inter-Agency Management/Consulting	Admin - Administrative Services (46)	Division of Administrative Services chargeback for services	16.2	16.2	16.2
3038	Inter-Agency Management/Consulting	Admin - DOA Info Tech Support (2334)	Information Technology chargeback for services	5.4	5.4	5.4
3038	Inter-Agency Management/Consulting	Admin - Office of the Commissioner (45)	Office of Commissioner charge back for services	11.7	11.7	11.7
3038	Inter-Agency Management/Consulting	Admin - Purchasing (60)	Division of General Services procurement staff allocation	3.1	3.1	3.1

Line Item Detail (1676)
Department of Administration
Commodities

Component: Risk Management (71)

Line Number	Line Name		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
4000	Commodities		13.9	13.5	13.5
Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
		4000 Commodities Detail Totals	13.9	13.5	13.5
4000	Business	General business supplies such as office consumables, furniture, and computer equipment	13.9	13.5	13.5

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
5007 I/A Rcpts (1007 I/A Rcpts)			41,241.7	41,254.6	41,256.1
5301 Inter-Agency Receipts	Admin - Administrative Hearings (2771)	Risk Management insurance premiums	0.4	0.4	0.4
5301 Inter-Agency Receipts	Admin - Administrative Services (46)	Risk Management insurance premiums	0.4	0.4	0.4
5301 Inter-Agency Receipts	Admin - AK Oil & Gas Conservation Comm (2010)	Risk Management insurance premiums	2.7	2.7	2.7
5301 Inter-Agency Receipts	Admin - Alaska Public Offices Comm (70)	Risk Management insurance premiums	0.7	0.7	0.7
5301 Inter-Agency Receipts	Admin - DOA Info Tech Support (2334)	Risk Management insurance premiums	0.2	0.2	0.2
5301 Inter-Agency Receipts	Admin - Enterprise Technology Services (2082)	Risk Management insurance premiums	17.0	17.0	17.0
5301 Inter-Agency Receipts	Admin - Facilities (2429)	Risk Management insurance premiums	292.7	292.7	292.7
5301 Inter-Agency Receipts	Admin - Facilities Administration (2430)	Risk Management insurance premiums	1.0	1.0	1.0
5301 Inter-Agency Receipts	Admin - Finance (59)	Risk Management insurance premiums	2.8	2.8	2.8
5301 Inter-Agency Receipts	Admin - Labor Relations (58)	Risk Management insurance premiums	0.2	0.2	0.2
5301 Inter-Agency Receipts	Admin - Lease Administration (2304)	Risk Management insurance premiums	0.3	0.3	0.3
5301 Inter-Agency Receipts	Admin - Motor Vehicles (2348)	Risk Management insurance premiums	11.0	11.0	11.0
5301 Inter-Agency Receipts	Admin - Office of Public Advocacy (43)	Risk Management insurance premiums	9.1	9.1	9.1
5301 Inter-Agency Receipts	Admin - Office of the Commissioner (45)	Risk Management insurance premiums	0.2	0.2	0.2
5301 Inter-Agency Receipts	Admin - Personnel (56)	Risk Management insurance premiums	5.8	5.8	5.8
5301 Inter-Agency Receipts	Admin - Print Services (2333)	Risk Management insurance premiums	0.2	0.2	0.2
5301 Inter-Agency Receipts	Admin - Property Management (61)	Risk Management insurance premiums	3.1	3.1	3.1
5301 Inter-Agency Receipts	Admin - Public Defender Agency	Risk Management insurance	7.1	7.1	7.1

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
5301 Inter-Agency Receipts	(1631) Admin - Purchasing (60)	premiums Risk Management insurance premiums	0.3	0.3	0.3
5301 Inter-Agency Receipts	Admin - Retirement and Benefits (64)	Risk Management insurance premiums	4.1	4.1	4.1
5301 Inter-Agency Receipts	Admin - Risk Management (71)	Risk Management insurance premiums	29,673.2	29,686.1	29,687.6
5301 Inter-Agency Receipts	Admin - Violent Crimes Comp Board (2694)	Risk Management insurance premiums	0.1	0.1	0.1
5301 Inter-Agency Receipts	Commerce - Department-wide	Risk Management insurance premiums	70.5	70.5	70.5
5301 Inter-Agency Receipts	Correct - Department-wide	Risk Management insurance premiums	1,024.5	1,024.5	1,024.5
5301 Inter-Agency Receipts	Courts - Department-wide	Risk Management insurance premiums	232.4	232.4	232.4
5301 Inter-Agency Receipts	E&ED - Department-wide	Risk Management insurance premiums	124.0	124.0	124.0
5301 Inter-Agency Receipts	EnvCon - Department-wide	Risk Management insurance premiums	68.1	68.1	68.1
5301 Inter-Agency Receipts	FishGm - Department-wide	Risk Management insurance premiums	469.3	469.3	469.3
5301 Inter-Agency Receipts	Gov - Department-wide	Risk Management insurance premiums	5.3	5.3	5.3
5301 Inter-Agency Receipts	H&SS - Department-wide	Risk Management insurance premiums	805.6	805.6	805.6
5301 Inter-Agency Receipts	Labor - Department-wide	Risk Management insurance premiums	173.8	173.8	173.8
5301 Inter-Agency Receipts	Law - Department-wide	Risk Management insurance premiums	24.3	24.3	24.3
5301 Inter-Agency Receipts	Legis - Department-wide	Risk Management insurance premiums	69.3	69.3	69.3
5301 Inter-Agency Receipts	M&VA - Department-wide	Risk Management insurance premiums	387.9	387.9	387.9
5301 Inter-Agency Receipts	NatRes - Department-wide	Risk Management insurance premiums	268.8	268.8	268.8
5301 Inter-Agency Receipts	PubSaf - Department-wide	Risk Management insurance premiums	828.1	828.1	828.1

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code)	Component	Comment	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
Revenue Source					
5301 Inter-Agency Receipts	Trans - Department-wide	Risk Management insurance premiums	6,657.2	6,657.2	6,657.2

Inter-Agency Services (1682)
Department of Administration

Component: Risk Management (71)

	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
Component Totals	4,424.5	4,424.5	4,424.5
With Department of Administration	772.8	772.8	772.8
With Department of Law	3,286.8	3,286.8	3,286.8
With Department of Labor and Workforce Development	364.9	364.9	364.9

Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
3017 Inter-Agency Information Technology Non-Telecommunications	Admin - Enterprise Technology Services (2082)	Enterprise Productivity Rate (EPR) computer services	3.3	3.3	3.3
3018 Inter-Agency Information Technology Telecommunications	Admin - Enterprise Technology Services (2082)	Enterprise Productivity Rate (EPR) telecommunications and telephone line services	7.3	7.3	7.3
3021 Inter-Agency Mail	Admin - Print Services (2333)	Centralized mail services chargeback	22.9	22.9	22.9
3022 Inter-Agency Human Resources	Admin - Personnel (56)	Human Resources services chargeback	90.3	90.3	90.3
3023 Inter-Agency Building Leases	Admin - Facilities (2429)	Building facility rent	42.5	42.5	42.5
3024 Inter-Agency Legal	Law - Department-wide	Tort Claims RSA with Department of Law	3,286.8	3,286.8	3,286.8
3026 Inter-Agency Insurance	Admin - Risk Management (71)	Workers compensation and liability claims reimbursement	568.6	568.6	568.6
3026 Inter-Agency Insurance	Labor - Department-wide	WSCAA Fee and Second Injury Fund payment	364.9	364.9	364.9
3027 Inter-Agency Financial	Admin - Finance (59)	State payroll and accounting system chargeback	1.5	1.5	1.5
3038 Inter-Agency Management/Consulting	Admin - Administrative Services (46)	Division of Administrative Services chargeback for services	16.2	16.2	16.2
3038 Inter-Agency Management/Consulting	Admin - DOA Info Tech Support (2334)	Information Technology chargeback for services	5.4	5.4	5.4
3038 Inter-Agency Management/Consulting	Admin - Office of the Commissioner (45)	Office of Commissioner charge back for services	11.7	11.7	11.7
3038 Inter-Agency	Admin - Purchasing (60)	Division of General Services	3.1	3.1	3.1

Inter-Agency Services (1682)
Department of Administration

Component: Risk Management (71)

Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
Management/Consulting		procurement staff allocation			