

State of Alaska FY2020 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 2018

- Mediated a property damage claim between the Department of Defense and the insurance carrier for the Alaska Aerospace Corporation, resulting in an agreement to recover approximately \$500,000 of the \$1,000,000 self-insurance retention paid by the State of Alaska.
- Work on the Fairbanks International Airport Contamination Claim to provide permanent water solution to residents adjacent to the airport property.
- Underwrite marine employee safety response and vessel safety inspections, for the Alaska Marine Highway System (AMHS) ferry vessels.
- Passage of HB79 which should aid in reducing workers compensation costs as well as converting to EDI submission of Report of Injuries (ROI) which should streamline the reporting process and assist the injured employee in getting their ROI to Department of Labor, Worker's Compensation Division sooner.
- Continued training leasing/contract officers on indemnity terms; insurance requirements; and acceptable certificates of insurance.
- The Light Duty Return to Work program has realized \$316,588 in time loss benefit savings and 16% participation for eligible employees for FY2018 by putting injured employees back to work with temporary modifications to their position descriptions.

Key Component Challenges

Airport Contamination Claims - One of the significant challenges facing our division as well as Department of Transportation and Public Facilities will be the liability exposures due to the FAA required usage of Per-and polyfluoroalkyl substance (PFAS) in Aqueous Film-Foaming Foam Concentrates (AFFF). This firefighting compound has been found to contain compounds that can cause health issues as notice by the EPA Health Advisory, November 2016. The AFFF has been used in all certificated airports with firefighting capabilities. Fairbanks International Airport was the first to be identified by Alaska Department of Environmental Conservation, with Gustavus Airport following soon after. Additional testing directed by ADEC will follow at all certificated airports. Any showing contamination of local well water or ground contamination will need to be addressed.

Worker's Compensation Claims - Reducing Worker's Compensation costs continue to be a challenge. Our goal is to return workers to work as soon as possible and Risk Management continued to have success in the Light Duty Return to Work program in FY2018. The goal when the program began in FY2013 was 25% of eligible 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 16% return for eligible employees with an FY2018 savings of \$316,588. We continue to work with each agency's HR section to increase eligible employee's light duty return to work which in turn reduces the department's overall workers compensation costs.

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 we experienced a 3.68% increase, however, we were able to secure a separate Museum and Fine Arts policy with limits of \$175,000,000. The increase also covered the \$4,400,000

increase in property values reported by the agencies. The division maintained limits of \$250,000,000 for fire loss, and \$50,000,000 for earthquake and 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. Currently we are assisting Department of Law on the Tribal Sovereign Immunity issue as it relates to tribal contracts with the state.

Significant Changes in Results to be Delivered in FY2020

We anticipate reducing and possibly even eliminating any late reporting penalty we have incurred in the past due to Report of Injury forms moving from manual to mandatory EDI reporting.

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>FY2019</u> <u>Management</u> <u>Plan</u>	<u>FY2020</u> <u>Governor</u>		
Full-time	5	5	Annual Salaries	451,974
Part-time	0	0	COLA	8,051
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	247,394
			<i>Less 1.66% Vacancy Factor</i>	(11,719)
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	695,700

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

	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
71000 Personal Services	647.0	683.0	683.0	683.0	695.7	12.7	1.9%
72000 Travel	7.6	13.0	13.0	13.0	13.0	0.0	0.0%
73000 Services	40,092.4	40,061.1	40,061.1	40,061.1	40,061.1	0.0	0.0%
74000 Commodities	13.6	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	40,760.6	40,770.6	40,770.6	40,770.6	40,783.3	12.7	0.0%
Fund Sources:							
1007 I/A Rcpts (Other)	40,760.6	40,770.6	40,770.6	40,770.6	40,783.3	12.7	0.0%
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	40,760.6	40,770.6	40,770.6	40,770.6	40,783.3	12.7	0.0%
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 FY2019 Conference Committee To FY2019 Authorized *****												
FY2019 Conference Committee	ConfCom	40,770.6	683.0	13.0	40,061.1	13.5	0.0	0.0	0.0	5	0	0
1007 I/A Rcpts		40,770.6										
Subtotal		40,770.6	683.0	13.0	40,061.1	13.5	0.0	0.0	0.0	5	0	0
***** Changes From FY2019 Management Plan To FY2020 Governor *****												
Reverse SU 15 Hour Furlough Reduction	SalAdj	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1007 I/A Rcpts		0.5										
FY2020 Salary Adjustments - GGU, CEA, TEAME	SalAdj	11.5	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1007 I/A Rcpts		11.5										
FY2020 Salary Adjustments - GGU, CEA, TEAME: \$11.5												
FY2020 GGU HI from \$1432 to \$1530: \$3.5												
FY2020 GGU 3% COLA: \$8.0												
Reverse Alaska State Employees Association (GGU) 15 Hour Furlough	SalAdj	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1007 I/A Rcpts		0.7										
The Alaska State Employees Association (representing the general government unit) contractually required 15 hours of furlough for each permanent full-time employee in each year from July 1, 2016, to June 30, 2019. The furlough requirement was removed from the contract in FY2020.												
Totals		40,783.3	695.7	13.0	40,061.1	13.5	0.0	0.0	0.0	5	0	0

Personal Services Expenditure Detail
Department of Administration

Scenario: FY2020 Governor (15610)
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		148,190	0	0	68,682	216,872	0
02-0015	Claims Administrator	FT	A	GP	Juneau	205	19D / E	12.0		71,848	2,896	0	43,184	117,928	0
02-0017	Project Assistant	FT	A	GP	Juneau	205	16C / D	12.0		57,269	2,309	0	38,174	97,752	0
02-0020	Risk Manager	FT	A	SS	Juneau	205	22F / J	12.0		104,055	0	0	54,594	158,649	0
02-0022	Claims Administrator	FT	A	GP	Juneau	205	19C / D	12.0		70,612	2,846	0	42,760	116,218	0
Total													Total Salary Costs:	451,974	
Positions													Total COLA:	8,051	
Full Time Positions:													Total Premium Pay:	0	
Part Time Positions:													Total Benefits:	247,394	
Non Permanent Positions:															
Positions in Component:													Total Pre-Vacancy:	707,419	
													Minus Vacancy Adjustment of 1.66%:	(11,719)	
													Total Post-Vacancy:	695,700	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	695,700	

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1007 Interagency Receipts	707,419	695,700	100.00%
Total PCN Funding:	707,419	695,700	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		FY2018 Actuals	FY2019 Management Plan
2000	Travel		7.6	13.0
Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
2000 Travel Detail Totals			7.6	13.0
2000	In-State Employee Travel	Transportation costs for travel relating to administration, training, conventions and meetings, boards and commissions	6.0	13.0
2002	Out of State Employee Travel	Transportation costs for staff travel out of state to national organization meetings, conferences, and training	1.6	0.0

Line Item Detail (1676)
Department of Administration
Services

Component: Risk Management (71)

Line Number	Line Name		FY2018 Actuals	FY2019 Management Plan
3000	Services		40,092.4	40,061.1
Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
3000 Services Detail Totals			40,092.4	40,061.1
3000	Education Services	Training, educational conferences, agency memberships, and employee tuition	0.4	0.4
3001	Financial Services	Accounting, auditing, management consulting and fees	33,578.9	33,238.5
3003	Information Technology	Software licensing and maintenance, training, and consulting	56.8	84.6
3004	Telecommunications	Local, long distance, and cellular telephone charges, television, data/network, telecommunication equipment, and other wireless charges from outside vendors	0.2	0.2
3008	Utilities	Electricity, heating fuel, water, sewage and disposal services	3.2	0.1
3009	Structure/Infrastructure/Land	Structure, infrastructure and land repairs, maintenance, rental, and leases	0.4	0.4
3010	Equipment/Machinery	Machinery, furniture and office equipment purchase, repairs, maintenance, rentals, and leases	1.7	1.5
3011	Other Services	Professional service contracts for claims adjusting services, insurance	1,712.1	1,091.7
3017	Inter-Agency Information Technology Non-Telecommunications	Admin - Alaska Division of IT (3141) Enterprise Productivity Rate (EPR) computer services	4.0	6.1
3018	Inter-Agency Information Technology Telecommunications	Admin - Alaska Division of IT (3141) Enterprise Productivity Rate (EPR) telecommunications and telephone line services	7.2	3.9

Line Item Detail (1676)
Department of Administration
Services

Component: Risk Management (71)

Object Class		Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
			3000 Services Detail Totals	40,092.4	40,061.1
3021	Inter-Agency Mail	Admin - Print Services (2333)	Centralized mail services chargeback	17.2	11.1
3022	Inter-Agency Human Resources	Admin - Personnel (56)	Human Resources services chargeback	82.8	88.7
3023	Inter-Agency Building Leases	Admin - Facilities (2429)	Rent for state-owned facilities and lease payments	31.8	37.6
3024	Inter-Agency Legal	Law - Department-wide	Legal services provided by the Department of Law	3,643.9	3,365.1
3026	Inter-Agency Insurance	Admin - Risk Management (71)	Workers compensation and liability claims reimbursement	0.1	1,117.5
3026	Inter-Agency Insurance	Labor - Department-wide	Workers Safety and Compensation Administration Account fee and Second Injury Fund payment	913.4	983.3
3027	Inter-Agency Financial	Admin - Finance (59)	State payroll and accounting system chargeback	2.7	1.5
3030	Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771)	Hearing Officer services	3.0	0.0
3038	Inter-Agency Management/Consulting	Admin - Accounting (3134)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	1.0	0.0
3038	Inter-Agency Management/Consulting	Admin - Administrative Services (46)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	11.3	12.3
3038	Inter-Agency Management/Consulting	Admin - Alaska Division of IT (3141)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	4.4	0.0
3038	Inter-Agency Management/Consulting	Admin - Office of the Commissioner (45)	Internal department cost allocation chargeback, desktop and information technology support, accounting and	8.2	9.0

Line Item Detail (1676)
Department of Administration
Services

Component: Risk Management (71)

Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
3000 Services Detail Totals			40,092.4	40,061.1
3038	Inter-Agency Management/Consulting	Admin - Purchasing (60) procurement services Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	7.7	7.6

Line Item Detail (1676)
Department of Administration
Commodities

Component: Risk Management (71)

Line Number	Line Name		FY2018 Actuals	FY2019 Management Plan
4000	Commodities		13.6	13.5
Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
4000 Commodities Detail Totals			13.6	13.5
4000	Business	General business supplies such as office consumables, furniture, and computer equipment	13.6	13.5

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2018 Actuals	FY2019 Management Plan
5007 I/A Rcpts (1007 I/A Rcpts)			40,760.6	40,770.6
5301 Inter-Agency Receipts	Admin - Accounting (3134)	Risk Management insurance premiums	1.7	1.5
5301 Inter-Agency Receipts	Admin - Administrative Hearings (2771)	Risk Management insurance premiums	0.4	0.4
5301 Inter-Agency Receipts	Admin - Administrative Services (46)	Risk Management insurance premiums	0.4	0.3
5301 Inter-Agency Receipts	Admin - AK Oil & Gas Conservation Comm (2010)	Risk Management insurance premiums	2.4	2.7
5301 Inter-Agency Receipts	Admin - Alaska Division of IT (3141)	Risk Management insurance premiums	17.5	19.8
5301 Inter-Agency Receipts	Admin - Alaska Public Offices Comm (70)	Risk Management insurance premiums	0.5	0.5
5301 Inter-Agency Receipts	Admin - Business Transformation Office (3136)	Risk Management insurance premiums	0.1	0.1
5301 Inter-Agency Receipts	Admin - E-Travel (2966)	Risk Management insurance premiums	0.1	0.1
5301 Inter-Agency Receipts	Admin - Facilities (2429)	Risk Management insurance premiums	205.1	244.9
5301 Inter-Agency Receipts	Admin - Facilities Administration (2430)	Risk Management insurance premiums	0.3	0.3
5301 Inter-Agency Receipts	Admin - Finance (59)	Risk Management insurance premiums	1.2	1.1
5301 Inter-Agency Receipts	Admin - Labor Relations (58)	Risk Management insurance premiums	0.2	0.2
5301 Inter-Agency Receipts	Admin - Lease Administration (2304)	Risk Management insurance premiums	0.2	0.2
5301 Inter-Agency Receipts	Admin - Motor Vehicles (2348)	Risk Management insurance premiums	10.9	12.0
5301 Inter-Agency Receipts	Admin - Office of Public Advocacy (43)	Risk Management insurance premiums	8.5	9.3
5301 Inter-Agency Receipts	Admin - Office of the Commissioner (45)	Risk Management insurance premiums	0.2	0.2
5301 Inter-Agency Receipts	Admin - Personnel (56)	Risk Management insurance premiums	5.0	5.2
5301 Inter-Agency Receipts	Admin - Print Services (2333)	Risk Management insurance	0.2	0.1

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2018 Actuals	FY2019 Management Plan
5301 Inter-Agency Receipts	Admin - Public Defender Agency (1631)	premiums Risk Management insurance premiums	6.4	6.5
5301 Inter-Agency Receipts	Admin - Purchasing (60)	Risk Management insurance premiums	0.4	0.3
5301 Inter-Agency Receipts	Admin - Retirement and Benefits (64)	Risk Management insurance premiums	4.0	4.0
5301 Inter-Agency Receipts	Admin - Risk Management (71)	Risk Management insurance premiums	29,414.5	27,731.8
5301 Inter-Agency Receipts	Admin - Violent Crimes Comp Board (2694)	Risk Management insurance premiums	0.1	0.1
5301 Inter-Agency Receipts	Commerce - Department-wide	Risk Management insurance premiums	21.6	18.5
5301 Inter-Agency Receipts	Correct - Department-wide	Risk Management insurance premiums	943.5	908.0
5301 Inter-Agency Receipts	Courts - Department-wide	Risk Management insurance premiums	162.1	192.0
5301 Inter-Agency Receipts	E&ED - Department-wide	Risk Management insurance premiums	182.3	317.6
5301 Inter-Agency Receipts	EnvCon - Department-wide	Risk Management insurance premiums	61.1	70.0
5301 Inter-Agency Receipts	FishGm - Department-wide	Risk Management insurance premiums	434.9	497.7
5301 Inter-Agency Receipts	Gov - Department-wide	Risk Management insurance premiums	6.2	7.3
5301 Inter-Agency Receipts	H&SS - Department-wide	Risk Management insurance premiums	649.6	706.8
5301 Inter-Agency Receipts	Labor - Department-wide	Risk Management insurance premiums	176.4	191.7
5301 Inter-Agency Receipts	Law - Department-wide	Risk Management insurance premiums	20.7	23.3
5301 Inter-Agency Receipts	Legis - Department-wide	Risk Management insurance premiums	51.2	53.3
5301 Inter-Agency Receipts	M&VA - Department-wide	Risk Management insurance premiums	331.0	241.6
5301 Inter-Agency Receipts	NatRes - Department-wide	Risk Management insurance premiums	242.2	375.0

Revenue Detail (1681)
Department of Administration

Component: Risk Management (71)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2018 Actuals	FY2019 Management Plan
5301 Inter-Agency Receipts	PubSaf - Department-wide	Risk Management insurance premiums	598.0	1,889.5
5301 Inter-Agency Receipts	Rev - Department-wide	Risk Management insurance premiums	15.5	15.3
5301 Inter-Agency Receipts	Trans - Department-wide	Risk Management insurance premiums	7,184.0	7,221.4

Inter-Agency Services (1682)
Department of Administration

Component: Risk Management (71)

				FY2018 Actuals	FY2019 Management Plan
Component Totals				4,738.7	5,643.7
With Department of Administration				181.4	1,295.3
With Department of Law				3,643.9	3,365.1
With Department of Labor and Workforce Development				913.4	983.3

Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
3017 Inter-Agency Information Technology Non-Telecommunications	Admin - Alaska Division of IT (3141)	Enterprise Productivity Rate (EPR) computer services	4.0	6.1
3018 Inter-Agency Information Technology Telecommunications	Admin - Alaska Division of IT (3141)	Enterprise Productivity Rate (EPR) telecommunications and telephone line services	7.2	3.9
3021 Inter-Agency Mail	Admin - Print Services (2333)	Centralized mail services chargeback	17.2	11.1
3022 Inter-Agency Human Resources	Admin - Personnel (56)	Human Resources services chargeback	82.8	88.7
3023 Inter-Agency Building Leases	Admin - Facilities (2429)	Rent for state-owned facilities and lease payments	31.8	37.6
3024 Inter-Agency Legal	Law - Department-wide	Legal services provided by the Department of Law	3,643.9	3,365.1
3026 Inter-Agency Insurance	Admin - Risk Management (71)	Workers compensation and liability claims reimbursement	0.1	1,117.5
3026 Inter-Agency Insurance	Labor - Department-wide	Workers Safety and Compensation Administration Account fee and Second Injury Fund payment	913.4	983.3
3027 Inter-Agency Financial	Admin - Finance (59)	State payroll and accounting system chargeback	2.7	1.5
3030 Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771)	Hearing Officer services	3.0	0.0
3038 Inter-Agency Management/Consulting	Admin - Accounting (3134)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	1.0	0.0

Inter-Agency Services (1682)
Department of Administration

Component: Risk Management (71)

Object Class		Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
3038	Inter-Agency Management/Consulting	Admin - Administrative Services (46)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	11.3	12.3
3038	Inter-Agency Management/Consulting	Admin - Alaska Division of IT (3141)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	4.4	0.0
3038	Inter-Agency Management/Consulting	Admin - Office of the Commissioner (45)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	8.2	9.0
3038	Inter-Agency Management/Consulting	Admin - Purchasing (60)	Internal department cost allocation chargeback, desktop and information technology support, accounting and procurement services	7.7	7.6