

**Arizona Department of Administration**  
**Risk Management**

A.R.S. § 41-622

	<b>FY 2002 Actual</b>	<b>FY 2003 Estimate</b>	<b>FY 2004 Approved</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	96.0	96.0	96.0 <sup>1/</sup>
Personal Services	3,353,400	3,558,300	3,610,100
Employee Related Expenditures	743,600	894,100	1,054,000
Professional and Outside Services	90,000	212,400	246,400
Travel - In State	50,200	53,800	53,800
Travel - Out of State	800	13,400	13,400
Other Operating Expenditures	1,989,300	2,614,900	1,916,300
Equipment	672,700	195,600	53,600
<b>OPERATING SUBTOTAL</b>	<b>6,900,000</b>	<b>7,542,500</b>	<b>6,947,600</b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Defense	6,605,900	7,295,600	7,555,600
Insurance Premiums	6,539,300	0	0
Risk Management Losses, Premiums and Related Expenditures	37,838,300	45,658,400	55,880,300
Workers' Compensation Losses, Premiums and Related Expenditures	18,503,800	23,651,000	25,184,300
<b>AGENCY TOTAL</b>	<b>76,387,300</b>	<b>84,147,500</b>	<b>95,567,800<sup>2/</sup></b>

**FUND SOURCES**

Other Appropriated Funds

Risk Management Fund	76,387,300	84,147,500	95,567,800
SUBTOTAL - Other Appropriated Funds	76,387,300	84,147,500	95,567,800
<b>AGENCY TOTAL</b>	<b>76,387,300</b>	<b>84,147,500</b>	<b>95,567,800</b>

**COST CENTER DESCRIPTION** — *The Risk Management section acts as the state's insurance agent, which includes making property loss and liability payments, as well as developing and administering loss control programs. With the exception of certain limited areas of coverage, the state is self-insured, paying for its own losses and liabilities. Costs of claims are paid by the Risk Management Fund.*

<b>PERFORMANCE MEASURES</b>	<b>FY 2002 Appropriation</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Appropriation</b>	<b>FY 2004 Appropriation</b>
• Number of settlements and judgments of greater than \$150,000	25	12	25	15
• Number of liability claims opened	4,200	3,533	4,200	3,800
• Cost of risk per capita	14.3	15.3	14.3	--
• Workers' Compensation incidence rates/100 FTE Positions	6.0	5.44	6.0	5.4
• % of Workers' Compensation claims reported within 48 hours	75	72	75	75

**Technical Adjustments** — The FY 2004 approved amount includes technical adjustments for Employee Related Expenditures, Risk Management charges, Other Fund health and dental insurance changes, Other Fund retirement changes, and Other Fund AFIS charges.

*(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

<sup>1/</sup> Excludes 104 FTE Positions funded from Special Line Items in FY 2004, but appropriated as FTE Positions in the Attorney General's budget rather than in this cost center.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

**Technical Corrections** — The approved amount also includes a decrease of \$(385,900) below FY 2003 for technical corrections related to salary adjustments granted in the 2001 regular session (*See also the Workers' Compensation Losses, Premiums and Related Expenditures and Attorney General Losses and Related Expenditures Special Line Items for additional salary adjustment technical corrections.*)

**One-Time Expenditures** — The approved amount includes a Risk Management Fund decrease of \$(537,900) below FY 2003 for the elimination of development costs, including equipment and other operating expenditures related to the operation of the previous information system.

### ***Special Line Items***

**Attorney General Defense** — The approved amount represents funding for the Risk Management section's contract with the Attorney General's Insurance Defense Section for legal representation in Risk Management related lawsuits against the state. The appropriation funds an interagency service agreement that procures the services of 104 FTE Positions within the Attorney General's budget. The approved amount includes a Risk Management Fund decrease of \$(84,000) below FY 2003 for technical corrections related the salary adjustments legislated in the 2001 regular session. The approved amount also includes a Risk Management Fund increase of \$53,200 above FY 2003 to cover higher Attorney General legal services due to cost allocation of the Attorney General's Risk Management charge to client agencies. The approved amount also includes a Risk Management Fund increase of \$290,800 above FY 2003 for technical adjustments.

**Insurance Premiums** — Beginning in FY 2003, this line item has been incorporated into the Risk Management Losses, Premiums and Related Expenditures line items to provide flexibility in the purchase of additional insurance.

**Risk Management Losses, Premiums and Related Expenditures** — The approved amount represents funding for estimated liability and property claims, settlements and other losses, as well as related legal and loss adjustment expenditures for aspects of the claims handled by the private sector rather than in-house. Premiums for additional insurance are also paid from this line item. The projected loss amount is updated annually to reflect current loss exposures and is based on an annual actuarial estimate.

The approved amount includes a Risk Management Fund increase of \$10,220,100 above FY 2003 for the FY 2004 actuarial estimates of risk for the state. The approved amount also includes a Risk Management Fund increase of \$1,800 above FY 2003 for technical adjustments.

**Workers' Compensation Losses and Related Expenditures** — The approved amount represents payments to workers' compensation beneficiaries for the state's liability resulting from workplace injuries, as well as related legal and loss adjustment expenditures for aspects of claims handled by the private sector rather than in-house.

The approved amount includes a Risk Management Fund increase of \$1,089,800 above FY 2003 to reflect the FY 2004 actuarial estimates for the state, using a 50% confidence interval. The confidence interval used reflects the perceived volatility for workers' compensation losses. The approved amount also includes an increase of \$444,300 above FY 2003 for technical corrections related to salary adjustments legislated in the 2001 regular session. The approved amount also includes a Risk Management Fund decrease of \$(800) for technical adjustments.

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