

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

A.R.S. § 41-622

	<b>FY 2003 Actual</b>	<b>FY 2004 Estimate</b>	<b>FY 2005 Approved</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	200.0	200.0	200.0 <sup>1/</sup>
Personal Services	3,441,800	3,641,000	3,751,800
Employee Related Expenditures	791,500	839,000	963,700
Professional and Outside Services	95,600	246,400	246,400
Travel - In State	51,500	53,800	53,800
Travel - Out of State	0	13,400	13,400
Other Operating Expenditures	2,345,100	2,100,400	2,109,000
Equipment	623,400	53,600	53,600
<b>OPERATING SUBTOTAL</b>	<b>7,348,900</b>	<b>6,947,600</b>	<b>7,191,700<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Defense	6,665,900	7,555,600	7,746,700
Risk Management Losses, Premiums and Related Expenditures	45,653,200	55,880,300	55,880,300
Workers' Compensation Losses, Premiums and Related Expenditures	17,887,500	25,184,300	23,109,800
<b>PROGRAM TOTAL</b>	<b>77,555,500</b>	<b>95,567,800</b>	<b>93,928,500</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Risk Management Fund	77,555,500	95,567,800	93,928,500
SUBTOTAL - Other Appropriated Funds	77,555,500	95,567,800	93,928,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>77,555,500</b>	<b>95,567,800</b>	<b>93,928,500</b>
Other Non-Appropriated Funds	1,087,100	1,856,300	1,856,300
<b>TOTAL - ALL SOURCES</b>	<b>78,642,600</b>	<b>97,424,100</b>	<b>95,784,800</b>

**COST CENTER DESCRIPTION** — The Risk Management Division acts as the state's insurance agent, making property loss, liability, and workers' compensation payments, defending and recovering damages for the state and its employees, and directing loss control programs. With the exception of certain limited areas of coverage, for which the division purchases insurance, the state is self-insured, paying for its own losses and liabilities. Costs of claims are paid through the Risk Management Fund.

<b>PERFORMANCE MEASURES</b>	<b>FY 2003 Appropriation</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Appropriation</b>	<b>FY 2005 Appropriation</b>
• Number of settlements and judgments of greater than \$250,000	15	10	15	15
• Number of liability claims opened	4,200	3,583	3,800	3,800
• Workers' compensation incidence rates/100 FTE Positions	6.0	4.6	5.4	5.4
• % of workers' compensation claims reported within 48 hours	75	75	75	75

<sup>1/</sup> Includes 104 FTE Positions funded from Special Line Items in FY 2005. All these FTE positions, though funded in FY 2005 through the Attorney General Defense Special Line Item in this cost center, are also appropriated as FTE Positions in the Attorney General's FY 2005 budget.

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

## ***Operating Budget***

The budget provides \$7,191,700 from the Risk Management Fund for the operating budget in FY 2005. This amount includes an increase for statewide salary and other adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)* The amount also includes a Risk Management Fund increase of \$8,600 for lease costs.

## ***Special Line Items***

### **Attorney General Defense**

The budget provides \$7,746,700 from the Risk Management Fund for Attorney General Defense in FY 2005. This amount consists of an increase for statewide salary and other adjustments, including a Risk Management Fund decrease of \$(6,000) for lease costs.

This line item funds the Risk Management Division's contract with the Attorney General's Insurance Defense Section for legal representation in Risk Management related lawsuits against the state. This interagency service agreement funds 104 FTE Positions within the Attorney General's Office. In previous fiscal years, these FTE Positions had not been counted within the Arizona Department of Administration budget.

### **Risk Management Losses, Premiums and Related Expenditures**

The budget provides \$55,880,300 from the Risk Management Fund for Risk Management Losses, Premiums, and Related Expenditures in FY 2005. This amount is unchanged from FY 2004.

This line item represents 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.

### **Workers' Compensation Losses, Premiums and Related Expenditures**

The budget provides \$23,109,800 from the Risk Management Fund for Workers Compensation Losses, Premiums and Related Expenditures in FY 2005. This amount includes a Risk Management Fund decrease of \$(2,074,500) for actuarial estimates of workers' compensation claims.

This line item funds payments to workers' compensation beneficiaries for the state's liability in workplace injuries, as well as related legal and loss-adjustment expenditures for aspects of claims handled by the private sector (rather than in-house).

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