

Industrial Commission of Arizona

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC	FY 2007 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	282.0	282.0	285.0	285.0
Personal Services	8,407,900	9,616,300	9,731,800	9,731,800
Employee Related Expenditures	2,390,000	2,732,000	2,834,300	2,834,400
Professional and Outside Services	1,462,900	1,471,300	1,471,300	1,471,300
Travel - In State	223,000	242,700	247,100	247,100
Travel - Out of State	7,500	16,000	16,000	16,000
Other Operating Expenditures	2,372,400	2,606,100	2,637,900	2,637,900
Equipment	294,000	265,500	273,900	265,500
AGENCY TOTAL	15,157,700	16,949,900	17,212,300	17,204,000

FUND SOURCES

Other Appropriated Funds

Industrial Commission Administrative Fund	15,157,700	16,949,900	17,212,300	17,204,000
SUBTOTAL - Other Appropriated Funds	15,157,700	16,949,900	17,212,300	17,204,000
SUBTOTAL - Appropriated Funds	15,157,700	16,949,900	17,212,300	17,204,000

Other Non-Appropriated Funds

Federal Funds	25,625,400	59,146,200	52,356,200	50,716,200
TOTAL - ALL SOURCES	44,437,500	80,610,600	74,088,000	72,439,700

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC		FY 2005 to FY 2007 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	262,400	1.5%	254,100	1.5%
Total Appropriated Funds	262,400	1.5%	254,100	1.5%
Non Appropriated Funds	(6,785,000)	(10.7%)	(8,425,000)	(13.2%)
Total - All Sources	(6,522,600)	(8.1%)	(8,170,900)	(10.1%)

AGENCY DESCRIPTION — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 JLBC
• Average number of days to resolve a case by the Administrative Law Judge Division	133.5	130.5	125	125
• % of worker's compensation claims processed within 5 days	97	97	99	99
• Elevator inspections conducted (NEW)	5,398	4,771	--	5,500
• Safety violations found	1,728	2,200	1,878	--
• % of agency staff turnover	7.0	7.2	9.0	--
• Administration as a % of total cost	9.2	9.0	9.1	--
• Customer satisfaction rating for Workers' Compensation Program (Scale 1-8)	7.1	7.0	7.0	7.0

Comment: Average number of days to resolve a case by the Administrative Law Judge Division decreased slightly from FY 2003 to FY 2004. The percent of Worker's Compensation claims processed within 5 days remained constant at 97%. Customer satisfaction rating for Workers' Compensation Program decreased slightly from FY 2003 to FY 2004. The new performance measure of elevator inspections conducted will provide a measure for an activity that is being allocated additional resources.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$17,212,300 from the Industrial Commission Administrative Fund for the operating budget in FY 2006 and \$17,204,000 in FY 2007. These amounts would fund the following adjustments:

		<u>FY 2006</u>	<u>FY 2007</u>
Standard Changes	OF	\$45,400	\$45,500

The JLBC recommends an increase of \$45,400 from the Industrial Commission Administrative Fund in FY 2006 and an increase of \$45,500 in FY 2007 for standard changes.

Increase Inspection and Enforcement Staff	OF	160,700	152,300
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The JLBC recommends an increase of \$160,700 and 3 FTE Positions from the Industrial Commission Administrative Fund in FY 2006 and an increase of \$152,300 in FY 2007 for an additional elevator inspector and 2 additional compliance officers for the Arizona Division of Occupational Safety and Health (ADOSH). The number of units the Elevator Section of ADOSH is statutorily mandated to inspect has grown from 4,925 units in 2000 to 5,873 in 2004. A full-time inspector can conduct between 850 and 875 inspections a year. The current staff of 6 inspectors and a supervisor are responsible for 929 inspections per year. The number of required inspections has exceeded staff capabilities and the section is currently 5 to 6 months behind schedule in their inspections. The Industrial Commission has indicated that a normal inspection level of 796 inspections per inspector can be restored by hiring 1 additional elevator inspector.

The Tucson office of ADOSH is responsible for enforcing statutory occupational safety and health standards in the southern part of Arizona. Staffing levels of the Tucson office have not kept pace with the continued growth in southern Arizona. ADOSH compliance officers also investigate employment complaints. The number of safety and health complaints has increased from 168 in FY 1993 to 232 in FY 2003. The Industrial Commission has indicated that the addition of 2 compliance officers will allow ADOSH to respond to the growth in work place complaints in a timely manner. Hiring these positions will have associated one-time equipment costs of \$8,400 in FY 2006.

Rent Adjustment for Agency Owned Buildings	OF	56,300	56,300
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The JLBC recommends an increase of \$56,300 from the Industrial Commission Administrative Fund in FY 2006 and FY 2007 for a rent adjustment. Two of the investments of the Industrial Commission's Special Fund are office buildings used by the Industrial Commission. The Investment Committee to the Special Fund voted to increase the rental rate charged to the Industrial Commission to \$15.50 per square foot in Phoenix and \$12.00 per square foot in Tucson. The Industrial Commission will also use \$5,000 in Federal Funds to contribute to the increased rent cost. The total rent increase from all fund sources will be \$61,300 in FY 2006 and FY 2007.

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JLBC RECOMMENDED FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Administrative (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that can not exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	15,157,700	16,949,900
Year-End Fund Balance	17,431,700	22,236,300
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	3,654,400	4,514,500
Year-End Fund Balance	2,192,300	1,517,000

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Revolving (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	180,700	219,900
Year-End Fund Balance	181,300	140,400
Special (ICA9003/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	25,444,700	58,926,300
Year-End Fund Balance	980,100	631,200

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