

Arizona Department of Administration
Risk Management

JLBC: Tyler Palmer
 OSPB: Matt Gottheiner

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	96.0	96.0	96.0
Personal Services	3,603,000	4,289,600	4,289,600
Employee Related Expenditures	1,154,700	1,564,800	1,565,700
Professional and Outside Services	72,600	142,500	142,500
Travel - In State	46,600	53,800	53,800
Travel - Out of State	3,400	13,400	13,400
Other Operating Expenditures	1,645,700	1,844,200	1,883,400
Equipment	37,000	53,600	53,600
OPERATING SUBTOTAL	6,563,000	7,961,900	8,002,000
SPECIAL LINE ITEMS			
Risk Management Losses and Premiums	42,402,400	47,322,400	46,726,200
Workers' Compensation Losses and Premiums	21,896,200	24,517,700	26,460,200
External Legal Services	3,884,300	5,672,100	5,592,200
Non-Legal Related Expenditures	2,679,000	3,153,800	3,153,900
Highway Hazards Assessments	0	0	150,000
PROGRAM TOTAL	77,424,900	88,627,900	90,084,500

FUND SOURCES

<i>Other Appropriated Funds</i>			
Highway User Revenue Fund	0	0	150,000
Risk Management Revolving Fund	77,424,900	88,627,900	89,934,500
SUBTOTAL – Other Appropriated Funds	77,424,900	88,627,900	90,084,500
SUBTOTAL - Appropriated Funds	77,424,900	88,627,900	90,084,500
Other Non-Appropriated Funds	2,527,700	1,672,500	1,461,800
TOTAL - ALL SOURCES	79,952,600	90,300,400	91,546,300

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC	
	\$ Change	% Change
Other Appropriated Funds	1,456,600	1.6%
Total Appropriated Funds	1,456,600	1.6%
Non Appropriated Funds	(210,700)	(12.6%)
Total - All Sources	1,245,900	1.4%

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 prevention programs. With the exception of certain specialty and excess 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 Revolving Fund.

PERFORMANCE MEASURES	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
• Workers’ compensation incidence rates/100 FTE Positions	5.2	4.2	4.1	4.1
• Customer satisfaction with self-insurance (Scale 1-8)	6.7	6.7	NA	6.8
Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The agency reports that it will resume administering the customer satisfaction survey in FY 2007.				

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$8,002,000 and 96 FTE Positions from the Risk Management Revolving Fund for the operating budget in FY 2008. This amount would fund the following adjustments:

Standard Changes OF **FY 2008**
\$40,100

The JLBC includes an increase of \$40,100 from the Risk Management Revolving Fund in FY 2008 for standard changes.

Special Line Items

Risk Management Losses and Premiums

The JLBC includes \$46,726,200 from the Risk Management Revolving Fund for Risk Management Losses and Premiums in FY 2008. This amount would fund the following adjustment:

Property & Liability Losses OF **(596,200)**

The JLBC includes a decrease of \$(596,200) from the Risk Management Revolving Fund in FY 2008 for decreased property and liability losses as projected by an actuary.

This line item represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The JLBC includes \$26,460,200 from the Risk Management Revolving Fund for Workers' Compensation Losses and Premiums in FY 2008. This amount would fund the following adjustment:

Workers' Compensation Losses OF **1,942,500**

The JLBC includes an increase of \$1,942,500 from the Risk Management Revolving Fund in FY 2008 for increased workers' compensation losses as projected by an actuary.

This line item accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

External Legal Services

The JLBC includes \$5,592,200 from the Risk Management Revolving Fund for External Legal Services in FY 2008. This amount would fund the following adjustment:

External Legal Expenses OF **(79,900)**

The JLBC includes a decrease of \$(79,900) from the Risk Management Revolving Fund in FY 2008 for decreased external legal expenditures. This amount is based on a percentage of the actuarial determined property and liability losses and workers' compensation losses. Of this change \$(96,200) is due to estimated decreases in property and liability losses and \$16,300 is due to estimated increases in workers' compensation losses.

This line item funds legal representation from outside the Office of the Attorney General in Risk Management or workers' compensation related lawsuits against the state. The division hires private counsel in circumstances where a legal conflict of interest exists. In the past few years, the division has also sought outside counsel when staffing from the Office of the Attorney General was not available.

Non-Legal Related Expenditures

The JLBC includes \$3,153,900 from the Risk Management Revolving Fund for Non-Legal Related Expenditures in FY 2008. This amount would fund the following adjustment:

Non-Legal Related Expenses OF **100**

The JLBC includes an increase of \$100 from the Risk Management Revolving Fund in FY 2008 for increased non-legal related expenditures. This amount is based on a percentage of the actuarial determined property and liability losses and workers' compensation losses. Of this change \$(45,600) is due to estimated decreases in property and liability losses and \$45,700 is due to estimated increases in workers' compensation losses.

This line item funds financial and actuarial analyses, relevant investigations, and related travel.

Highway Hazards Assessments

The JLBC includes \$150,000 from the Highway User Revenue Fund for Highway Hazards Assessments in FY 2008. This amount would fund the following adjustment:

Contract Assessment OF **150,000**

The JLBC includes an increase of \$150,000 from the Highway User Revenue Fund in FY 2008 for conducting an assessment of highway hazards.

This line item funds an outside review of state roadways' compliance with American Association of State Highway and Transportation standards. (See Footnotes section for more information.)

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FORMAT — Operating Lump Sum with Special Line Items by Fund

FOOTNOTES

New Footnotes

The Highway Hazards Assessment line item is to be used to contract for an outside review of the state's highways for potential hazards. The department shall submit a report with recommendations to the Joint Legislative Budget Committee by January 31, 2008.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY
