

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

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DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	96.0	96.0	96.0
Personal Services	3,874,100	4,535,600	4,535,600
Employee Related Expenditures	1,385,500	1,670,500	1,667,400
Professional and Outside Services	112,400	142,500	142,500
Travel - In State	48,300	53,800	53,800
Travel - Out of State	4,500	13,400	13,400
Other Operating Expenditures	1,486,500	1,841,100	1,844,200
Equipment	134,000	53,600	53,600
<b>OPERATING SUBTOTAL</b>	<b>7,045,300</b>	<b>8,310,500</b>	<b>8,310,500</b>
<b>SPECIAL LINE ITEMS</b>			
Risk Management Losses and Premiums	39,414,900	46,726,200	45,371,300
Workers' Compensation Losses and Premiums	24,272,400	26,460,200	30,112,300
External Legal Services	3,534,800	5,592,200	5,592,200
Non-Legal Related Expenditures	2,837,700	3,153,900	3,153,900
Highway Hazards Assessments	0	150,000	0
<b>PROGRAM TOTAL</b>	<b>77,105,100</b>	<b>90,393,000</b>	<b>92,540,200</b>

**FUND SOURCES**

<i>Other Appropriated Funds</i>			
Highway User Revenue Fund	0	150,000	0
Risk Management Revolving Fund	77,105,100	90,243,000	92,540,200
SUBTOTAL - Other Appropriated Funds	77,105,100	90,393,000	92,540,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>77,105,100</b>	<b>90,393,000</b>	<b>92,540,200</b>
Other Non-Appropriated Funds	1,059,000	1,461,800	1,875,100
<b>TOTAL - ALL SOURCES</b>	<b>78,164,100</b>	<b>91,854,800</b>	<b>94,415,300</b>

**CHANGE IN FUNDING SUMMARY**

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
Other Appropriated Funds	2,147,200	2.4%
Total Appropriated Funds	2,147,200	2.4%
Non Appropriated Funds	413,300	28.3%
Total - All Sources	2,560,500	2.8%

**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 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2009 JLBC
• Workers' compensation incidence rates/100 FTE Positions	4.2	4.1	4.4	4.1
• Customer satisfaction with self-insurance (Scale 1-8)	6.7	NA	7.5	7.5

### ***Operating Budget***

The JLBC includes \$8,310,500 and 96 FTE Positions from the Risk Management Revolving Fund for the operating budget in FY 2009. These amounts are unchanged from FY 2008.

### ***Risk Management Losses and Premiums***

The JLBC includes \$45,371,300 from the Risk Management Revolving Fund for Risk Management Losses and Premiums in FY 2009. FY 2009 adjustments would be as follows:

#### **Property and Liability Losses OF (1,354,900)**

This adjustment would be a decrease of \$(1,354,900) from the Risk Management Revolving Fund in FY 2009 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 \$30,112,300 from the Risk Management Revolving Fund for Workers' Compensation Losses and Premiums in FY 2009. FY 2009 adjustments would be as follows:

#### **Workers' Compensation Losses OF 3,652,100**

This adjustment would be an increase of \$ 3,652,100 from the Risk Management Revolving Fund in FY 2009 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 2009. This amount is unchanged from FY 2008.

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 2009. This amount is unchanged from 2008.

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

### ***Highway Hazards Assessments***

The JLBC includes no funding from the Highway User Revenue Fund for the Highway Hazards Assessments Special Line Item in FY 2009. FY 2009 adjustments would be as follows:

#### **Eliminate One-time Funding OF (150,000)**

This adjustment would be a decrease of \$(150,000) from the Highway User Revenue Fund in FY 2008 to eliminate one-time funding for a one-time review of state roadways for potential hazards in FY 2008.

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**FORMAT** — Operating Lump Sum with Special Line Items by Fund

### **FOOTNOTES**

#### *Deletion of Prior Year Footnotes*

The JLBC deletes the footnote related to the one-time appropriation of \$150,000 to be used to contract for an outside review of the state's highways for potential hazards.