

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

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	200.0	200.0		200.0
Personal Services	3,441,800	3,641,000		3,641,000
Employee Related Expenditures	791,500	839,000		839,000
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		2,115,000
Equipment	623,400	53,600		53,600
<b>OPERATING SUBTOTAL</b>	<b>7,348,900</b>	<b>6,947,600</b>		<b>6,962,200</b>
<b>SPECIAL LINE ITEMS</b>				
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		23,044,400
Attorney General Defense	6,665,900	7,555,600		7,549,600
<b>PROGRAM TOTAL</b>	<b>77,555,500</b>	<b>95,567,800</b>		<b>93,436,500</b>

**FUND SOURCES**

Other Appropriated Funds

Risk Management Fund	77,555,500	95,567,800		93,436,500
SUBTOTAL - Other Appropriated Funds	77,555,500	95,567,800		93,436,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>77,555,500</b>	<b>95,567,800</b>		<b>93,436,500</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>95,292,800</b>

**CHANGE IN FUNDING SUMMARY**

	FY 2004 to FY 2005 JLBC	
	\$ Change	% Change
Other Appropriated Funds	(2,131,300)	(2.2%)
Total Appropriated Funds	(2,131,300)	(2.2%)
Non Appropriated Funds	0	0.0%
Total - All Sources	(2,131,300)	(2.2%)

**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.

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• 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

**RECOMMENDED CHANGES FROM FY 2004**

***Operating Budget***

The JLBC recommends \$6,962,200 from the Risk Management Fund for the operating budget in FY 2005. This amount would fund the following adjustments:

**Lease Costs OF \$14,600**

The JLBC recommends an increase of \$14,600 from the Risk Management Fund for lease costs.

***Special Line Items***

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

The JLBC recommends \$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.

The recommended 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.

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

The JLBC recommends \$23,044,400 from the Risk Management Fund for Workers Compensation Losses, Premiums and Related Expenditures in FY 2005. This amount would fund the following adjustments:

**Actuarial Estimates OF (2,139,900)**

The JLBC recommends a decrease of \$(2,139,900) from the Risk Management Fund for actuarial estimates of workers' compensation claims in FY 2005.

The recommended 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).

***Attorney General Defense***

The JLBC recommends \$7,549,600 from the Risk Management Fund for Attorney General Defense. This amount would fund the following adjustments:

**Lease Costs OF (6,000)**

The JLBC recommends a decrease of \$(6,000) from the Risk Management Fund for lease costs.

The recommended 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. This interagency service agreement funds 104 FTE Positions within the Attorney General's Office. Previously, these FTE positions had not been counted within the Arizona Department of Administration budget.

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

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**SUMMARY OF FUNDS - SEE AGENCY SUMMARY**

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