

CJ.00
Uninsured Employers' Fund

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
Special Fund	<u>\$882</u>	<u>\$881</u>	<u>\$934</u>	<u>\$53</u>	<u>6.0%</u>
Total Funds	\$882	\$881	\$934	\$53	6.0%

- \$47,808 of the increase is in salaries of which \$20,189 is to annualize the general salary increases of 4% effective January 1, 2002, provide for health insurance increases, and \$7,857 to fund salary increments for six months.

Personnel Data

	FY 01	FY 02	FY 03	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	13.00	13.00	13.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	13.00	13.00	13.00	0.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	0.21	1.60%
Positions Vacant as of 12/31/01	0.00	0.00%

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Recommended Actions

1. Concur with Governor's allowance.

Updates

Fund Balance: The Uninsured Employers' Fund fiscal 2001 closing fund balance was \$2,973,850.

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Operating Budget Analysis

Program Description

The Uninsured Employers' Fund (UEF) protects workers whose employers are not insured under the Workers' Compensation Law. The fund reviews and investigates claims filed by employees, or in the case of death, by their dependents. If the employer does not properly compensate a claimant, the fund will directly pay the compensation benefits and medical expenses. The fund will attempt to recover all benefits paid plus certain assessments from the uninsured employer. The source of the special fund is from assessments imposed by the Workers' Compensation Commission (WCC) on insurance companies and self-insured employers. The fund also collects penalties from sanctions on uninsured employers and revenue from recovery of benefits paid out for uninsured claims.

Adjustments to Current Budget

UEF is a small special fund agency with 13 employees. There were no cost containment actions taken in the fiscal 2002 budget.

Governor's Proposed Budget

Exhibit 1 indicates the UEF allowance increases \$52,827, or 6%. The significant item is the \$47,808 increase in salaries for annualization of the fiscal 2002 general salary increase, increments, health insurance, and other adjustments. The only other significant increase is the \$5,345 increase in telephone expenses. Actual expenditures for this item was \$13,328 in fiscal 2001, but only \$2,395 was budgeted in fiscal 2002.

Subsequent Injury Fund Fiscal Unit

The Subsequent Injury Fund (SIF) fiscal unit provides services to UEF. One fiscal clerk on the UEF payroll continues to work full time out of the SIF office. In addition UEF makes an \$8,000 payment to SIF as an additional contribution to SIF fiscal unit expenses. WCC maintains the Workers' Compensation case files. Both UEF and SIF have on-line access to WCC files, and UEF pays WCC \$16,447 for the service.

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Exhibit 1

**Governor's Proposed Budget
Uninsured Employers' Fund
(\$ in Thousands)**

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
2002 Working Appropriation	\$881	\$881
2003 Governor's Allowance	934	934
Amount Change	\$53	\$53
Percent Change	6.0%	6.0%
Where It Goes:		
Personnel Expenses		
Fiscal 2003 increments		8
Annualize fiscal 2002 general salary increase		13
Health insurance		21
Other adjustments		6
Subtotal		\$48
Other Expenses		
Communications -- increased telephone expenses		5
Office supplies		(2)
Other		2
Subtotal		\$5
Total		\$53

Note: Numbers may not sum to total due to rounding.

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Performance Analysis: Managing for Results

The goal of the fund is to insure that all claims are paid promptly and to recover sanctions and penalties from uninsured employers. UEF continues to process and authorize awards within three days after receiving claims. UEF receives special fund revenue from a 1% assessment on all workers' compensation disability settlements and from penalties interest and other sanctions, as indicated in **Exhibit 2**. Penalties and other sanctions currently is a small part of the UEF revenue picture and difficult to collect from bankrupt firms or entities that no longer are in business; nevertheless, it should be an overall goal of the fund to cover claims paid with fines and penalties from uninsured employers rather than continue to solely rely on the assessment imposed by the Workers' Compensation Commission on all WCC awards to fund the payment of claims for the uninsured worker.

Exhibit 2

**Program Measurement Data
Uninsured Employers' Fund
Fiscal 1999 through 2003**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
New cases	812	895	740	1,065	800	825	14.5%	-12.0%
Investigations	919	967	1,000	1,260	1,000	1,000	17.1%	-10.9%
Workers' Compensation Commission hearings	913	1,043	1,000	1,025	1,040	1,040	6.0%	0.7%
Court hearings	201	214	200	214	220	210	3.2%	-0.9%
1% assessments on claim awards (\$ in thousands)	\$2,689	\$3,188	\$2,600	\$2,649	\$2,600	\$2,600	-0.8%	-0.9%
Penalties, recovery of benefits paid, and interest on funds (\$ in thousands)	incl. above	incl. above	\$620	\$579	\$620	\$700	n/a	9.9%
Benefit payments (\$ in thousands)	\$1,505	\$1,924	\$1,950	\$2,123	\$2,200	\$2,250	18.8%	2.9%
Number paid	1,970	2,166	2,200	2,191	2,200	2,230	5.5%	0.9%

Source: Uninsured Employers' Fund

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Fund Balance

UEF collected \$3,188,345 in revenue in fiscal 2001 and paid out \$2,087,356 in claims. Administrative expenses were \$881,630 in fiscal 2001. Special fund revenue from the 1.0% assessments on all workers' compensation disability, death awards, or settlements and recoveries from employers is the primary source of funds to pay claims and administrative expenses. UEF closed fiscal 2001 with a fund balance of \$2,973,850.

Current and Prior Year Budgets

Current and Prior Year Budgets Uninsured Employers' Fund (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2001					
Legislative Appropriation	\$0	\$783	\$0	\$0	\$783
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	103	0	0	103
Reversions and Cancellations	0	(4)	0	0	(4)
Actual Expenditures	\$0	\$882	\$0	\$0	\$882
Fiscal 2002					
Legislative Appropriation	\$0	\$881	\$0	\$0	\$881
Budget Amendments	0	0	0	0	0
Working Appropriation	\$0	\$881	\$0	\$0	\$881

Note: Numbers may not sum to total due to rounding.

The \$103,000 budget amendment covers the new employee pay plan and pay adjustments. Implemented in fiscal 2001. The budget amendment was anticipated.

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Appendix 2

Object/Fund Difference Report Uninsured Employers' Fund					
Object/Fund	FY01 Actual	FY02 Working Appropriation	FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
Positions					
01 Regular	13.00	13.00	13.00	0	0%
Total Positions	13.00	13.00	13.00	0	0%
Objects					
01 Salaries and Wages	\$ 768,576	\$ 782,653	\$ 830,461	\$ 47,808	6.1%
02 Technical & Spec Fees	185	0	0	0	0.0%
03 Communication	16,754	8,395	13,740	5,345	63.7%
04 Travel	8,718	13,500	12,500	(1,000)	(7.4%)
08 Contractual Services	2,517	2,500	3,004	504	20.2%
09 Supplies & Materials	5,487	5,940	7,500	1,560	26.3%
10 Equip - Replacement	22,516	0	0	0	0.0%
12 Grants, Subsidies, Contr	25,471	33,690	33,441	(249)	(0.7%)
13 Fixed Charges	31,406	34,143	33,002	(1,141)	(3.3%)
Total Objects	\$ 881,630	\$ 880,821	\$ 933,648	\$ 52,827	6.0%
Funds					
03 Special Fund	\$ 881,630	\$ 880,821	\$ 933,648	\$ 52,827	6.0%
Total Funds	\$ 881,630	\$ 880,821	\$ 933,648	\$ 52,827	6.0%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.