

**C94I00**  
**Subsequent Injury Fund**

***Operating Budget Data***

---

(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
Special Funds	\$1,698	\$1,732	\$1,779	\$48	2.7%
Contingent & Back of Bill Reductions	0	-1	-7	-5	
<b>Adjusted Special Funds</b>	<b>\$1,698</b>	<b>\$1,730</b>	<b>\$1,773</b>	<b>\$42</b>	<b>2.4%</b>
Reimbursable Funds	0	8	16	8	100%
<b>Adjusted Grand Total</b>	<b>\$1,698</b>	<b>\$1,738</b>	<b>\$1,789</b>	<b>\$50</b>	<b>2.9%</b>

- The comparison between the fiscal 2003 working appropriation and fiscal 2004 allowance accounts for fiscal 2003 and 2004 contingent and back of bill reductions.
- Total funds increase by \$50,251 (2.9%) from the fiscal 2003 working appropriation. The \$50,251 total change includes a \$42,251 increase in special funds and an \$8,000 increase in reimbursable funds.
- The \$42,251 increase in special funds includes a \$41,000 increase for contractual services including the conversion and transfer of software from the Workers' Compensation Commission (WCC) to the Subsequent Injury Fund (SIF) and a \$39,500 decrease for legal and medical service support.

***Personnel Data***

---

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	18.60	17.60	17.60	0.00
Contractual FTEs	0.00	0.00	0.00	0.00
<b>Total Personnel</b>	<b>18.60</b>	<b>17.60</b>	<b>17.60</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	0.35	2.00%
Positions Vacant as of 12/31/02	1.00	5.68%

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

For further information contact: Gregory W. Potts

Phone: (410) 946-5530

*C94I00 - Subsequent Injury Fund*

- Total personnel costs increase by \$57,168 from the fiscal 2003 working appropriation to the fiscal 2004 allowance. The personnel change occurs with increases for turnover expectancy, health insurance, and retirement. The change also includes decreases for a position abolished in a prior year and other adjustments.
- As of December 31, 2002, the vacancy rate at SIF was 5.68%, or one position. The budgeted turnover rate for fiscal 2004 is 2.00%, or .35 position.
- The fiscal 2004 allowance does not include any regular or contractual position changes.

## ***Analysis in Brief***

---

### **Recommended Actions**

1. Concur with Governor's allowance.

### **Updates**

***Fund Balance Continues to Grow:*** The Subsequent Injury Fund's (SIF) fund balance has continued to grow over the years. The fund has achieved a 14.8% average annual growth rate from June 30, 1997, through June 30, 2002. As of December 31, 2002, the fund balance was \$40,101,747.

***SB 106 Introduced in Senate:*** SB 106, a bill that would extend the period of an assessment payable to the SIF until June 30, 2007, was introduced by the Senate Finance Committee Chairman on January 23, 2003. There is an error in the bill. The assessment rate should read 6.5% rather than the stated 5%.

***C94I00 - Subsequent Injury Fund***

**C94I00**  
**Subsequent Injury Fund**

***Operating Budget Analysis***

---

**Program Description**

The Subsequent Injury Fund (SIF) compensates injured workers whose pre-existing injuries, diseases, or congenital conditions are substantially worsened by their current injuries. SIF receives special funds from a legislatively mandated 6.5% assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements, including those agreements approved by the Workers' Compensation Commission (WCC). The purpose of SIF is to encourage the employment of disabled individuals by limiting an employer's liability should a subsequent occupational injury render an individual permanently disabled or result in death. Employers or their insurers are only liable for damage caused by current injuries. SIF is then liable for damage from the combined effects of any injuries and conditions. The SIF mission addresses the need for:

- efficiently defending SIF's resources against inappropriate use;
- providing monetary benefits to qualified disabled workers injured on the job in accordance with awards passed by WCC; and
- maintaining the adequacy and integrity of the SIF fund balance.

**Performance Analysis: Managing for Results**

A review of SIF's Managing for Results (MFR) performance measures shows that SIF is seeing a gradual rise in the number of cases set for administrative hearing and is increasing the number of benefit payments made. Total expenditures have risen, while total collections have declined. However, the ratio of total fund expenditures to total collections consistently remains less than 1:1 to ensure that adequate funds are available from which to pay claims.

Although the performance measures provided by SIF are helpful when reviewing MFR data, they do not always link back to specific SIF goals. Objective 1.1 states that SIF will have all new cases promptly reviewed and prepared for legal defense. There is no specific performance measure that relates to this goal. It is unclear from the objective and performance measure what SIF defines as "promptly." Objective 1.2 states that all ordered claimant payments will begin on time, and periodic payments will follow a standard bi-weekly schedule. There is no performance measures that discusses whether SIF has begun all ordered claimant payments on time. Finally, Objective 1.3 says that the operating budget cost per resolved claim will increase by no higher percentage than the increase in the budget due to the cost of living increases in salaries. The performance measures provide statistics on the operating budget cost per resolved claim, but these numbers do not help determine whether the operating budget cost per resolved claim will increase by a lower percentage rate than the increase in the budget due to the cost-of-living increases in salaries.

**C94I00 - Subsequent Injury Fund**

SIF should consider combining the total benefits paid and operating expenditures performance measures to create a total fund expenditures measure. Similarly, it should consider combining the dollar amount of assessments collected and interest on fund balance performance measures to create a total collections measure. The two totals would help better explain the ratio of total fund expenditures to total collections. Additionally, SIF should consider including percentages in their performance measures to help the reader more easily identify important data trends.

**SIF should comment on the development of performance measures and consider expanding the estimates to more specifically link back to stated goals. SIF should consider combining the total benefits paid and operating expenditures performance measures to create a total fund expenditures performance measure. Similarly, it should consider combining the dollar amount of assessments collected and interest on fund balance performance measures to create a total collections performance measure. Finally, SIF should consider including percentages in their performance measures to help the reader more easily identify important data trends.**

**Exhibit 1** provides a sampling of MFR measures and selected MFR objectives.

**Exhibit 1**

---

**Program Measurement Data  
Subsequent Injury Fund  
Fiscal 2001 through 2004**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>01-02</b>	<b>01-04</b>
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>	<u>Ann. Chg.</u>	<u>Ann. Chg.</u>
Cases set for administrative hearing	1,852	1,836	1,900	1,925	-0.9%	1.3%
Benefit payments	21,601	22,067	22,100	22,150	2.2%	0.8%
Total fund expenditures <sup>1</sup> (\$ in Thousands)	\$14,915	\$15,079	\$15,140	\$15,240	1.1%	0.7%
Total collections <sup>2</sup> (\$ in Thousands)	\$19,336	\$18,377	\$18,600	\$18,850	-5.0%	-0.8%
Ratio of total fund expenditures to total collections	0.771:1	0.820:1	0.814:1	0.808:1	n/a	n/a
Operating budget cost per resolved claim	\$1,423	\$1,400	\$1,740	\$1,628	-1.6%	4.6%

**Objective 1.1** Although the agency has no control over the number of new cases, all new cases will be promptly reviewed and prepared for legal defense.

**Objective 1.2** All ordered claimant payments will begin on time, and periodic payments will follow a standard bi-weekly schedule.

**Objective 1.3** By maintaining work efficiency and effectiveness, the operating budget cost per resolved claim will increase by no higher percentage than the increase in the budget due to the cost of living increase in salaries.

<sup>1</sup>The total fund expenditures performance measure was created by summing the total benefits paid and operating expenditures performance measures.

<sup>2</sup>The total fund collections performance measure was created by summing the dollar amount of assessments collected and interest on fund balance performance measures.

Source: Subsequent Injury Fund

---

## *C94I00 - Subsequent Injury Fund*

### **Impact of Cost Containment Fiscal 2003**

Fiscal 2003 cost containment reflects the reversion of \$1,430 in appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003.

### **Governor's Proposed Budget**

The comparison between the fiscal 2003 working appropriation and the fiscal 2004 allowance accounts for contingent and back of bill reductions in the special fund. The fiscal 2004 adjusted allowance for SIF is \$1,788,604. The fiscal 2004 allowance represents an increase of \$50,251 (2.9%) over the fiscal 2003 working appropriation. The special fund increases by \$42,251 and the reimbursable fund increases by \$8,000.

Total personnel expenses account for a \$57,168 increase in the special fund. The personnel cost increase occurs with increases of \$86,331 for turnover expectancy, \$35,779 for health insurance, and \$456 for retirement. The change also includes a \$65,398 decrease for a position abolished in a prior year, social security, and other adjustments. Nonpersonnel changes in the special fund include a \$41,000 increase for contractual data entry services including the conversion and transfer of software from WCC to SIF, a \$22,000 reduction for payments to WCC for use of computer facilities, and a \$39,500 reduction for legal and medical service support.

**Exhibit 2** shows the distribution of funds. The fiscal 2003 working appropriation and fiscal 2004 allowance are adjusted to include contingent and back of bill reductions.

### **Impact of Cost Containment Fiscal 2004**

The fiscal 2004 allowance reflects the elimination of the \$6,694 appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the BRFA of 2003.

### **Personnel**

Total personnel expenses account for a \$57,168 increase in the special fund. This change includes increases of \$86,331 for turnover expectancy, \$35,779 for health insurance, and \$456 for retirement. The total change also includes a \$65,398 reduction for a position abolished in a prior year, social security, and other adjustments.

**Exhibit 2**

**Governor's Proposed Budget  
Subsequent Injury Fund  
(\$ in Thousands)**

	<b>FY 02 Actual</b>	<b>FY 03 Approp</b>	<b>FY 04 Allowance</b>	<b>FY 03 - 04 Change</b>	<b>FY 03 - 04 % Change</b>
Special Funds	\$1,698	\$1,732	\$1,779	\$48	2.7%
Contingent & Back of Bill Reductions	0	-1	-7	-5	
<b>Adjusted Special Funds</b>	<b>\$1,698</b>	<b>\$1,730</b>	<b>\$1,773</b>	<b>\$42</b>	<b>2.4%</b>
Reimbursable Funds	0	8	16	8	100%
<b>Adjusted Grand Total</b>	<b>\$1,698</b>	<b>\$1,738</b>	<b>\$1,789</b>	<b>\$50</b>	<b>2.9%</b>

**Where It Goes:**

**Personnel Expenses**

Turnover .....	\$86
Health insurance .....	36
Position abolished in a prior year, social security, and other adjustments .....	-65

**Other Changes**

Reduction for legal and medical service support .....	-40
Increase for conversion and transfer of software from WCC to SIF .....	41
Reduction in payments to WCC for use of computer facilities .....	-22
Increase for replacement of LAN server .....	6
Increase for computer maintenance projects .....	5
Miscellaneous adjustments.....	3

**Total** **\$50**

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

There was no change in regular or contractual positions at SIF from the fiscal 2003 working appropriation to the fiscal 2004 allowance. As of December 31, 2002, the vacancy rate at SIF was 5.68%, or one position. The one position remains vacant due to the hiring freeze. The budgeted turnover rate for fiscal 2004 is 2.00%, or .35 position.

***Recommended Actions***

---

1. Concur with Governor's allowance.

## Updates

---

### **1. Fund Balance Continues to Grow**

The SIF fund balance has continued to grow over the past five years. The fund has achieved a 14.8% average annual growth rate from June 30, 1997 through June 30, 2002. SIF is able to achieve fund growth mainly through its 6.5% assessment on awards against employers and interest on the fund balance.

### **Exhibit 3**

---

#### **Subsequent Injury Fund History Fiscal 1997 through 2002**

<u>Date</u>	<u>Balance</u>	<u>Percent Change</u>
June 30, 1997	\$19,032,624	n/a
June 30, 1998	\$21,938,427	15.3%
June 30, 1999	\$24,905,192	13.5%
June 30, 2000	\$30,233,978	21.4%
June 30, 2001	\$34,654,428	14.6%
June 30, 2002	\$37,967,827	9.6%
December 31, 2002	\$40,101,747	5.6%

Source: Subsequent Injury Fund

---

### **2. SB 106 Introduced in Senate**

On January 23, 2002, SB 106 was introduced by the Chairman of the Senate Finance Committee. The bill extends the termination date of an assessment payable to SIF to June 30, 2007. If the bill is not passed, SIF will be unable to continue their assessment on awards against employers past June 2003. There is an error on SB 106. The percentage rate on the assessment should read 6.5% rather than the stated 5%. The assessment was raised from 5% to 6.5% in 1987.

## ***Current and Prior Year Budgets***

---

### **Current and Prior Year Budgets Subsequent Injury Fund (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$0	\$1,715	\$0	\$8	\$1,723
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-16	0	-8	-24
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$1,699</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,698</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$0	\$1,732	\$0	\$8	\$1,740
Budget Amendments	0	-1	0	0	-1
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$1,730</b>	<b>\$0</b>	<b>\$8</b>	<b>\$1,738</b>

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

---

### **Fiscal 2002**

Fiscal 2002 expenditures at SIF totaled \$1.7 million, which is approximately \$24,000 less than the legislative appropriation. The \$24,000 was reduced under cancellations with a \$16,000 reduction in the special fund and an \$8,000 reduction in the reimbursable fund.

### **Fiscal 2003**

In fiscal 2003 the legislative appropriation was \$1,739,783. A planned reversion of \$1,430 of transit subsidy funds is assumed.

**C94I00 - Subsequent Injury Fund**

Appendix 2

**Object/Fund Difference Report  
Subsequent Injury Fund**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - FY 04 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	18.60	17.60	17.60	0	0%
<b>Total Positions</b>	<b>18.60</b>	<b>17.60</b>	<b>17.60</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,181,280	\$ 1,178,571	\$ 1,241,003	\$ 62,432	5.3%
02 Technical & Spec Fees	246,055	365,500	326,000	- 39,500	- 10.8%
03 Communication	20,747	23,054	23,917	863	3.7%
04 Travel	21,149	30,000	27,000	- 3,000	- 10.0%
08 Contractual Services	40,244	7,473	54,500	47,027	629.3%
09 Supplies & Materials	14,629	16,000	19,600	3,600	22.5%
10 Equip - Replacement	8,587	957	6,000	5,043	527.0%
11 Equip - Additional	52,679	0	0	0	0.0%
12 Grants, Subsidies, Contr	55,774	55,860	33,930	- 21,930	- 39.3%
13 Fixed Charges	56,852	62,368	62,348	- 20	0%
14 Land & Structures	465	0	1,000	1,000	N/A
<b>Total Objects</b>	<b>\$ 1,698,461</b>	<b>\$ 1,739,783</b>	<b>\$ 1,795,298</b>	<b>\$ 55,515</b>	<b>3.2%</b>
<b>Funds</b>					
03 Special Fund	\$ 1,698,461	\$ 1,731,783	\$ 1,779,298	\$ 47,515	2.7%
09 Reimbursable Fund	0	8,000	16,000	8,000	100.0%
<b>Total Funds</b>	<b>\$ 1,698,461</b>	<b>\$ 1,739,783</b>	<b>\$ 1,795,298</b>	<b>\$ 55,515</b>	<b>3.2%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.