

C96J00
Uninsured Employers' Fund

Operating Budget Data

(\$ in Thousands)

	FY 02	FY 03	FY 04	FY 03 - 04	FY 03 - 04
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Special Funds	\$909	\$924	\$951	\$27	2.9%
Contingent & Back of Bill Reductions	0	-1	-6	-5	
Adjusted Special Funds	\$909	\$923	\$946	\$23	2.5%
Adjusted Grand Total	\$909	\$923	\$946	\$23	2.5%

- The comparison between the fiscal 2003 working appropriation and fiscal 2004 allowance accounts for fiscal 2003 and 2004 contingent and back of bill reductions.
- Special funds increase by \$23,000 (2.5%) from the fiscal 2003 working appropriation, including \$7,000 for computer equipment replacement.

Personnel Data

	FY 02	FY 03	FY 04	Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	13.00	13.00	12.00	-1.00
Contractual FTEs	0.00	0.00	0.00	0.00
Total Personnel	13.00	13.00	12.00	-1.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	0.00	0.00%
Positions Vacant as of 12/31/02	1.00	7.69%

- Total personnel costs increase by \$15,104 from the fiscal 2003 working appropriation to the fiscal 2004 allowance. The personnel change occurs with decreases for an abolished position, salary funding, and other adjustments. The change also includes increases for turnover expectancy, health insurance, and retirement.
- As of December 31, 2002, the vacancy rate at the Uninsured Employers' Fund (UEF) was 7.69%, or one position. This vacant position is abolished under the Governor's allowance.
- UEF has no budgeted turnover for fiscal 2004.

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

UEF Fund Balance Continues to Grow: The UEF fund balance continues to grow. From June 30, 1998, through June 30, 2002, the fund balance has experienced an annual growth rate of 31.4%. As of January 24, 2003, the fund balance was \$3,677,841.

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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. UEF 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. UEF 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. UEF also collects penalties from sanctions on uninsured employers and revenue from recovery of benefits paid out for uninsured claims. The UEF mission addresses the need for:

- efficiently investigating and defending all designated noninsured cases;
- monitoring awards and following established procedures to ensure prompt payment to claimants and health care providers; and
- tracking and collecting fines, assessments, and awards benefits paid by the fund, and maintaining the adequacy and integrity of the fund balance.

Performance Analysis: Managing for Results

A review of the submitted UEF Managing for Results (MFR) performance measures generally shows that UEF is very steady in its overall performance. All measures are trending in a positive direction or staying very level over time. The ratio of total fund expenditures to total collections for the year has remained less than 1:1, ensuring that adequate funds are available from which to pay claims.

UEF has done a good job of linking its goals and objectives to performance measures. However, there are several objectives that are not easily linked to a performance measure. Objective 1.1 states that UEF will promptly review, investigate, and prepare for legal defense all new cases. There is no specific performance measure that relates to this goal. It is unclear from the objective and performance measure what UEF defines as "promptly." Objective 1.2 states that the operating budget cost per resolved case will increase by no higher percentage than the increase in the budget due to the cost-of-living increase in salaries. The performance measures provide statistics on the operating budget cost per resolved case, but these numbers do not help determine whether the operating budget cost per resolved case will increase by a lower percentage rate than the increase in the budget due to the cost-of-living increases in salaries.

UEF should consider combining compensation and medical payments with operating expenditures to create a total fund expenditures performance measure. Similarly, it should consider combining

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assessments, noncertification penalties, fines and penalties for being uninsured, benefit recoveries, and interest on the fund balance to create a total collections performance measure. UEF should also consider including percentages in the performance measures to help the reader more easily identify data trends.

UEF should comment on Objectives 1.1 and 1.2 and consider expanding the estimates to more specifically link back to stated objectives. UEF should consider combining measures to create two performance measures: total fund expenditures and total collections. Finally, UEF should consider including percentages in the performance measures to help the reader more easily identify important data trends.

Exhibit 1 provides a sampling of MFR reported measures including selected objectives.

Exhibit 1

**Program Measurement Data
Uninsured Employers' Fund
Fiscal 2001 through 2004**

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Annual</u> <u>Change</u> <u>FY 01-02</u>	<u>Annual</u> <u>Change</u> <u>FY 01 - 04</u>
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>		
New cases	1,065	1,196	1,200	1,200	12.3%	4.1%
Number of cases resolved	850	875	900	900	2.9%	1.9%
Operating budget cost per number of resolved cases	\$1,037	\$1,039	\$1,027	\$1,059	0.2%	0.7%
Total fund expenditures ¹ (\$ in Thousands)	\$3,005	\$2,760	\$2,874	\$3,003	-8.2%	-0.02%
Total collections ² (\$ in Thousands)	\$3,228	\$3,214	\$3,279	\$3,362	-0.4%	1.4%
Ratio of total fund expenditures to total collections for the year	0.932:1	0.859:1	0.877:1	0.893:1	n/a	n/a

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

Objective 1.2 By maintaining work efficiency and effectiveness, the operating budget cost per resolved case will increase by no higher percentage than the increase in the budget due to the cost of living increase in salaries.

Notes:

1. The total fund expenditures performance measure was created by summing the value of compensation and medical payments made with the operating expenditures.
2. The total collections performance measure was created by summing the award assessments, noncertification penalty, fines and penalty assessment for being uninsured, recovery of benefits, and interest on fund balance.

Source: Uninsured Employers' Fund

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Impact of Cost Containment Fiscal 2003

Fiscal 2003 cost containment reflects the \$1,056 reversion of 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 for fiscal 2003 and 2004. The fiscal 2004 allowance for UEF is \$945,813. The fiscal 2004 allowance represents an increase of \$22,663 (2.5%) over the fiscal 2003 working appropriation. The fiscal 2004 allowance only contains changes in the special fund.

Total personnel expenses account for a \$15,104 increase from fiscal 2003 to 2004. This change includes a \$32,881 reduction for one abolished position, a \$12,805 increase for turnover expectancy, a \$35,527 increase for health insurance, a \$462 increase for retirement, and an \$809 reduction for salary funding and other adjustments. Nonpersonnel changes in the special fund include a \$3,000 increase for voice and data lines, a \$1,000 decrease for travel, and a \$6,000 increase for computer equipment replacement.

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 \$5,558 appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the BRFA of 2003.

Exhibit 2

**Governor's Proposed Budget
Uninsured Employers' Fund
(\$ 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	\$909	\$924	\$951	\$27	2.9%
Contingent & Back of Bill Reductions	0	-1	-6	-5	
Adjusted Special Funds	\$909	\$923	\$946	\$23	2.5%
Adjusted Grand Total	\$909	\$923	\$946	\$23	2.5%

Where It Goes:

Personnel Expenses

Health insurance	\$36
Abolished positions	-33
Turnover expectancy	13
Reduction in salary funding and other adjustments	-1

Other Changes

Computer equipment replacement.....	6
Telephone and telecommunications	3
Travel.....	-1

Total **\$23**

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

Personnel

Total personnel expenses account for a \$15,104 increase from the fiscal 2003 working appropriation to the fiscal 2004 allowance. This change includes a \$32,881 reduction for one abolished support staff position, a \$12,805 increase for turnover expectancy, a \$35,527 increase for health insurance, a \$462 increase for retirement, and an \$809 reduction for salary funding and other adjustments.

The vacancy rate as of December 31, 2002, was 7.69%, or one position. The Governor's allowance abolishes this vacant position. UEF has no budgeted turnover for fiscal 2004.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. UEF Fund Balance Continues to Grow

From June 30, 1998, through June 30, 2002, the fund balance has experienced an annual growth rate of 31.4%. The fund has grown at such a rapid rate largely due to the May 1998 decision to resume the 1% assessment against each self-insured employer, each insurance carrier, and the Injured Workers' Insurance Fund. This decision was made because the fund's balance fell below the \$1,000,000 statutory minimum which was then in effect. Under Labor and Employment Article 9-1011, when the amount of the fund equals at least \$5,000,000, the payment of assessments by employers and insurers is suspended and will be resumed if the amount of the fund becomes less than \$3,000,000.

Exhibit 3

Uninsured Employers' Fund History 1998 through 2003

<u>Year</u>	<u>Ending Balance</u>	<u>Annual Change</u>
June 30, 1998	\$1,150,788	n/a
June 30, 1999	\$2,266,734	97.0%
June 30, 2000	\$2,754,491	21.5%
June 30, 2001	\$2,973,850	8.0%
June 30, 2002	\$3,429,543	15.3%
January 24, 2003	\$3,677,541	7.2%

Source: Uninsured Employers' Fund

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 2002					
Legislative Appropriation	\$0	\$881	\$0	\$0	\$881
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	75	0	0	75
Reversions and Cancellations	0	-47	0	0	-47
Actual Expenditures	\$0	\$909	\$0	\$0	\$909
Fiscal 2003					
Legislative Appropriation	\$0	\$924	\$0	\$0	\$924
Budget Amendments	0	-1	0	0	-1
Working Appropriation	\$0	\$923	\$0	\$0	\$923

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

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Fiscal 2002

Fiscal 2002 expenditures at UEF totaled \$908,889, which is approximately \$28,000 more than the legislative appropriation. The \$28,000 increase occurred with a budget amendment and cancellations. The amendment increased special funds by \$75,000 for additional funding toward salaries and benefits and technology equipment replacement. Special funds were reduced by \$47,000 with cancellations.

Fiscal 2003

In fiscal 2003 the legislative appropriation was \$924,206. This amount is adjusted based on the planned reversion of transit subsidy funding.

**Object/Fund Difference Report
Uninsured Employers' 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>
Positions					
01 Regular	13.00	13.00	12.00	-1.00	-7.7%
Total Positions	13.00	13.00	12.00	-1.00	-7.7%
Objects					
01 Salaries and Wages	\$ 812,858	\$ 821,019	\$ 840,625	\$ 19,606	2.4%
02 Technical & Spec Fees	570	0	0	0	0.0%
03 Communication	14,807	13,740	16,668	2,928	21.3%
04 Travel	7,517	12,500	11,500	-1,000	-8.0%
08 Contractual Services	2,165	3,004	3,000	-4	-0.1%
09 Supplies & Materials	4,238	7,500	6,950	-550	-7.3%
10 Equip - Replacement	3,160	0	6,998	6,998	N/A
12 Grants, Subsidies, Contr.	33,690	33,441	33,218	-223	-0.7%
13 Fixed Charges	29,884	33,002	32,412	-590	-1.8%
Total Objects	\$ 908,889	\$ 924,206	\$ 951,371	\$ 27,165	2.9%
Funds					
03 Special Fund	\$ 908,889	\$ 924,206	\$ 951,371	\$ 27,165	2.9%
Total Funds	\$ 908,889	\$ 924,206	\$ 951,371	\$ 27,165	2.9%

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