

**Workforce Safety and Insurance
Budget 485
Senate Bill No. 2021**

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	247.14	\$0	\$58,413,293	\$58,413,293
2009-11 legislative appropriation	<u>247.14</u>	<u>0</u>	<u>56,877,605</u>	<u>56,877,605</u>
2011-13 appropriation increase (decrease) to 2009-11 appropriation	0.00	\$0	\$1,535,688	\$1,535,688

Item Description

Financial reserves - North Dakota Century Code Section 65-04-02 requires Workforce Safety and Insurance to maintain adequate financial reserves plus available surplus of at least 120 percent to a maximum of 140 percent of the actuarially established discounted reserve. Available surplus is defined as net assets as stated on the statement of net assets of the agency but does not include funds designated or obligated to specific programs or projects pursuant to a directive or specific approval by the Legislative Assembly.

If the level of financial reserves plus available surplus determined as of June 30 of any year is:

- Below 120 percent of the actuarially established discounted reserve, the agency may not issue premium dividends and the agency is to recommend premium rate levels so that the agency is estimated to come into compliance within the following two years.
- Above 140 percent of the actuarially established discounted reserve, the agency is to issue premium dividends in a fiscally prudent manner so that the agency is estimated to come into compliance within the following two years.
- Between 120 percent and 130 percent of the actuarially established discounted reserve, the agency may not issue premium dividends.
- Between 130 percent and 140 percent of the actuarially established discounted reserve, the agency may issue premium dividends. However, premium dividends issued may not exceed 40 percent of the preceding year's premium in any given year and the level of financial reserves plus available surplus may not be reduced below 130 percent.

Information technology transformation project - The Legislative Assembly in 2007 provided an appropriation of \$14 million for the information technology transformation project for the 2007-09 biennium. In 2011 the Legislative Assembly appropriated an additional \$3 million for the project.

The information technology transformation project includes the replacement of existing core Workforce Safety and Insurance business applications with a commercial, off-the-shelf integrated software solution.

Status/Result

As of June 30, 2011, Workforce Safety and Insurance's actuarially established discounted reserve was \$814.0 million. Based on Section 65-04-02, the fund surplus target was \$162.8 million to \$325.6 million. The fund surplus balance on June 30, 2011, was \$393.1 million. Of the \$393.1 million, \$8.6 million was committed to safety and education grants, \$14.9 million was committed to an educational revolving loan fund, and \$35,700 was committed to the agency's information technology transformation project. Therefore, the available fund surplus on June 30, 2011, was \$369.6 million, equivalent to 145.4 percent of the discounted reserve.

The Workforce Safety and Insurance Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2012.

During the 2007-09 biennium, Workforce Safety and Insurance selected the Valley Oak Systems' iVOS product as the commercial off-the-shelf system and selected the vendor HCL to provide integration, validation, and management services related to the installation of the iVOS product. During project implementation, Valley Oak Systems was acquired by Aon eSolutions. The project is experiencing schedule delays. After failing to meet a project milestone date in January 2012, Aon eSolutions began forfeiting payments of \$115,000 for

February 2012, \$115,000 for March 2012, and \$25,000 for April 2012. Aon eSolutions will continue to forfeit \$25,000 per month until the claims component of the project is implemented. The project's executive steering committee is negotiating with Aon eSolutions regarding a revised implementation date.

The estimated cost of the information technology transformation project is \$17.8 million, which consists of the \$14 million originally appropriated for the project, \$3 million of additional funding appropriated by the Legislative Assembly in 2011 for the project, and \$800,000 of internal reallocations. The agency has negotiated \$912,000 in free maintenance and support from Aon eSolutions over a two-year period following the implementation date.