

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

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriation	260.14	\$0	\$72,023,722	\$72,023,722 <sup>1</sup>
2021-23 legislative appropriation	<u>260.14</u>	<u>0</u>	<u>73,186,928</u>	<u>73,186,928</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	0.00	\$0	(\$1,163,206)	(\$1,163,206)

<sup>1</sup>This amount does not include any transfers of appropriation authority from the Office of Management and Budget funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

**Item Description**

**Full-time equivalent changes** - The Legislative Assembly approved 260.14 FTE positions for Workforce Safety and Insurance (WSI) for the 2023-25 biennium, the same as the 2021-23 biennium.

**Targeted market equity** - The Legislative Assembly appropriated \$82.5 million, of which \$45.1 million is from the general fund, to the Office of Management and Budget for a targeted market equity pool to be distributed to state agencies.

**New and vacant FTE funding pool** - The Legislative Assembly reduced \$3,701,233 of 2023-25 biennium special fund appropriation authority for WSI related to estimated vacant position savings for the new and vacant FTE funding pool.

**One-time funding** - The Legislative Assembly appropriated \$6.78 million of one-time funding from the WSI fund for the 2023-25 biennium, including:

	Other Funds
Claims and policy system (CAPS)	\$4,950,000
myWSI enhancement project	1,830,000
<b>Total</b>	<b>\$6,780,000</b>

**Claims and policy system** - In Senate Bill No. 2021 (2015), the Legislative Assembly appropriated \$6 million of one-time funding from the WSI fund for a computer software replacement project, also known as CAPS. The project is designed to replace core WSI business systems, which support injury services and employer services, with current industry web-based technology in order to improve customer service, enhance system maintainability, and provide enhanced reporting and accessibility to information. The project consists of five phases and 20 smaller projects, or releases, as shown in the schedule below.

**Status/Result**

No changes to FTE positions were made by the 2023 Legislative Assembly.

Workforce Safety and Insurance received \$475,710 of special funds for targeted market equity increases. Equity increases were provided to 65 employees.

Through January 2024, WSI has received \$1,024,058 from the new and vacant FTE funding pool to fill 7 vacant FTE positions and had estimated vacant FTE position savings of \$1,200,082. The agency used \$79,691 of the savings for other purposes, including accrued leave payouts and bonuses. The number of vacancies in the office has ranged from 20 to 16 with an average monthly vacancy rate of 18.14 FTE positions.

See the **Claims and policy system** and **myWSI enhancement project** sections below.

The status of the CAPS phases are as follows:

Phase	Status	Completion Date
Planning and analysis	Complete	June 2015
Shared components refacing	Complete	February 2017
Policyholder services application refacing	Complete	August 2022
Claims management system refacing	Incomplete	2031 (Projected)
Program finalization	Incomplete	2031 (Projected)

The status of the CAPS releases are as follows:

Phase	Number of Releases
Planning and analysis	
Shared components refacing	3
Policyholder services application refacing	6
Claims management system refacing	11
Program finalization	

The Legislative Assembly has appropriated \$33.6 million of one-time funding from the WSI fund for the project as follows:

Biennium	Planned Releases	Appropriation
2015-17	1 - 3	\$6,000,000
2017-19	4 - 6	8,120,097
2019-21	7 - 10 <sup>1</sup>	7,010,000
2021-23	9 - 13 <sup>2</sup>	7,500,000
2023-25	11 - 12	4,950,000
Total		\$33,580,097

<sup>1</sup>The COVID-19 pandemic delayed the progress of Releases 9 and 10 during the 2019-21 biennium, resulting in the releases being rescheduled for the 2021-23 biennium.

<sup>2</sup>Supply chain issues related to the COVID-19 pandemic delayed the progress of Releases 11, 12, and 13 during the 2021-23 biennium, resulting in the releases being rescheduled for subsequent bienniums.

**myWSI enhancement project** - The myWSI enhancement project was approved by the Legislative Assembly in House Bill No. 1021 (2017) to create a secure extranet portal for injured workers, employers, and medical providers. The project will add functionality to the existing extranet, integrate claims and policy documents, add forms for collecting information, and add dashboards to access information. The project includes nine releases. The Legislative Assembly has appropriated \$6.3 million of one-time funding from the WSI fund for the project as follows:

Biennium	Planned Releases	Appropriation
2017-19	1 - 2	\$538,500
2019-21	3 - 4	850,000
2021-23	5 - 9 <sup>1</sup>	3,050,000
2023-25	7 - 8	1,830,000
Total		\$6,268,500

<sup>1</sup>The COVID-19 pandemic delayed the progress of Releases 7, 8, and 9 during the 2021-23 biennium, resulting in the releases being rescheduled for subsequent bienniums.

Biennium	Releases Completed	Expenditures
2015-17	1 - 3	\$4,560,510 <sup>1</sup>
2017-19	4 - 6	5,123,510 <sup>2</sup>
2019-21	7 - 8 <sup>3</sup>	4,684,128 <sup>3</sup>
2021-23	9 - 10 <sup>4</sup>	3,615,359 <sup>4</sup>
2023-25	11 - 12 (estimated) <sup>5</sup>	5,025,031 <sup>5</sup>
Total		\$23,008,538

<sup>1</sup>Of the \$6,000,000 appropriated for the CAPS project, \$1,439,490 was not spent and was canceled at the end of the 2015-17 biennium.

<sup>2</sup>Of the \$8,120,097 appropriated for the CAPS project, \$2,996,587 was not spent on the project. Of the remaining funding, \$410,329 was used for the myWSI enhancement project while \$2,657,169 was canceled at the end of the 2017-19 biennium.

<sup>3</sup>Of the \$7,010,000 appropriated for the CAPS project, \$2,325,872 was not spent and was canceled at the end of the 2019-21 biennium. The COVID-19 pandemic delayed the project's progress, resulting in Releases 9 and 10 being rescheduled for completion during the 2021-23 biennium.

<sup>4</sup>Of the \$7,500,000 appropriated for the CAPS project, \$3,884,641 was not spent and was canceled at the end of the 2021-23 biennium. Supply chain issues related to the COVID-19 pandemic resulted in Releases 11 and 12 being rescheduled for completion during the 2023-25 biennium.

<sup>5</sup>Expenditures listed for the 2023-25 biennium include actual expenditures of \$1,296,835 through February 2024 and estimated expenditures for the remainder of the biennium, which includes \$75,031 from other agency savings, estimated to be repurposed for the project. Workforce Safety and Insurance anticipates completing Release 11 in August 2024 and Release 12 in 2025.

Workforce Safety and Insurance anticipates additional funding of approximately \$5.7 million will be needed to continue the project during the 2025-27 biennium. The anticipated completion date for the entire project is 2031 at an estimated cost of \$37.7 million.

The status of the myWSI enhancement project releases and expenditures is shown below.

Biennium	Releases Completed	Expenditures
2015-17	0	\$469,031 <sup>1</sup>
2017-19	1 - 2	948,829 <sup>2</sup>
2019-21	3 - 4	843,890
2021-23	5 - 6 <sup>3</sup>	2,285,443 <sup>3</sup>
2023-25	7 - 8 (estimated) <sup>4</sup>	1,823,393 <sup>4</sup>
Total		\$6,370,586

<sup>1</sup>During the 2015-17 biennium, WSI used \$469,031 of savings from the CAPS project to begin the planning phase of the myWSI enhancement project for extranet infrastructure analysis.

<sup>2</sup>In addition to the \$538,500 appropriated for the myWSI enhancement project for the 2017-19 biennium, WSI spent \$410,329 on the project by using savings from the CAPS project, resulting in a total of \$948,829 spent on the myWSI enhancement project during the 2017-19 biennium.

<sup>3</sup>Of the \$3,050,000 appropriated for the myWSI enhancement project, \$764,557 was not spent and was canceled at the end of the 2021-23 biennium. Supply chain issues related to the

COVID-19 pandemic resulted in Releases 7 and 8 being rescheduled for completion during the 2023-25 biennium.

<sup>4</sup>Expenditures listed for the 2023-25 biennium include actual expenditures of \$477,672 through February 2024 and estimated expenditures for the remainder of the biennium. Workforce Safety and Insurance anticipates completing Release 7 in August 2024 and Release 8 in 2025.

Workforce Safety and Insurance expects a 10<sup>th</sup> release will be needed to complete the project and anticipates additional funding of approximately \$1.4 million will be needed to complete the remaining releases and the entire project during the 2025-27 biennium. Workforce Safety and Insurance estimates the project will be completed in March 2026 at an estimated cost of \$7.7 million.

Workforce Safety and Insurance spent the funds prior to the start of the 2023-25 biennium.

As of June 30, 2023, WSI's actuarially established discounted reserve was \$950 million. Based on Section 65-04-02, the fund surplus target was \$190 million to \$380 million. The fund surplus balance on June 30, 2023, was \$943 million, after deducting dividend payments of \$85 million. Of the \$943 million, \$19 million was committed to safety and education grants and \$14 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2023, was \$910 million. The available fund surplus plus the discounted reserve was equivalent to 195.8 percent of the discounted reserve.

The WSI Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2023. The dividend declaration is based on the fund surplus balance before any reductions for dividend payments. The fund surplus balance used to determine the dividend payments was \$995 million, which included the fund surplus balance of \$943 million and dividends expense of \$85 million, less \$19 million of safety and education grants and \$14 million of educational revolving loan fund. The fund surplus balance used to determine the dividend payments plus the discounted reserve was equivalent to 204.7 percent of the discounted reserve.

Workforce Safety and Insurance has issued dividend credits in 18 of the previous 19 fiscal years, totaling approximately \$1.8 billion.

**Exemption - Deferred maintenance** - Section 3 of Senate Bill No. 2021 (2023) provided an exemption to allow WSI to continue \$291,000 transferred from the Office of Management and Budget to WSI from the federal State Fiscal Recovery Fund during the November 2021 special legislative session for deferred maintenance of the WSI building into the 2023-25 biennium.

**Financial reserves** - North Dakota Century Code Section 65-04-02 requires WSI 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 2 years.
- Between 120 and 130 percent of the actuarially established discounted reserve, the agency may not issue premium dividends.
- Between 130 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.
- 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 2 years. However, premium dividends issued may not exceed 50 percent of the preceding year's premium in any given year.