R12

Agency Certification and Transmittal Sheet

Code:	R12	Name:	State Accident Fund

Mission Statement: Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, when in the best interest of the State, businesses in the private sector.

To the Office of State Budget

This, and accompanying statements, schedules, and explanatory sheets consisting of 10 pages constitute the operating budget estimates of this agency for all proposed expenditures for the 2012-2013 fiscal year.

All statements and explanations contained in the estimates submitted herewith are true and correct to the best of my knowledge.

Signed: _____ (Agency Head) Date: September 30, 2011

FISCAL YEAR 2012-13 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. **Agency Section/Code/Name:**
Section 59/R12/State Accident Fund

B. **Summary Description of Strategic or Long-Term Goals:**
The agency has 12 goals that are shown below and on pages 2 and 3 of the State Accident Fund Accountability Report for FY 2010-2011:

- By January 1, 2012 the State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible voluntary accounts.
- By January 1, 2011 develop and implement a process for maintaining and improving employee development.
- By January 1, 2011, the Fund's financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2006 to Fiscal Year 2011.
- Maintain greater than 95% positive response rate on the annual policyholder survey.
- The State Accident Fund will rank no higher than 5th in our annual rate comparison.
- By January 1, 2008, lead the state in Workers' Compensation Commission (WCC) compliance.
- Continue improvements to the Communications Program.
- The Fund will continue to demonstrate good corporate citizenship.
- The annual administrative cost ratio will not exceed the average ratio for the last five years.
- Continue and review programs to enhance internal and external quality control.
- Annually review the quality of service and cost effectiveness of vendor programs and contract services.
- Develop a program for the promotion of accountability, responsibility and professionalism.

C. **2011-2012 Agency Recurring Base Appropriation:**

State	$0
Federal	$0
Other	$6,660,521

D. **Number of Budget Categories:**
One (1)

E. **Agency-wide Vacant FTEs**
Fourteen and one quarter (14.25) Vacant FTEs as of July 31, 2011. This represents 17.6 percent of the agency's total authorized FTEs.

F. **Efficiency Measures:**
The agency has several measures of operating efficiency. Two of the primary measures are the "Administrative Cost Ratio" and average claim costs.

The "Administrative Cost ratio" is s standard insurance industry measure of carrier's efficiency. It represents the percentage of premium spent on administration and not paid out in benefits. The State Accident Fund's Administrative Cost Ratio, as determined by our actuaries, Bickerstaff, Whatley, Ryan, and Burkhalter, Consulting Actuaries, is less than half of the average for private sector carriers in the state as reported by the National Council on Compensation Insurance (NCCI) (State Accident Fund Accountability Report for FY 2010-201, page 40).

To measure claim handling efficiency, the agency uses NCCI data to conduct a comparison of State Accident Fund's average medical and indemnity costs per claim with the average for other carriers in the state. The most recent data showed the average medical cost of claims was almost 64% lower and indemnity costs were almost 63% lower than the industry average (State Accident Fund Accountability Report for FY 2010-201, page 39).

The several other efficiency measures that can be found on pages 31-49 of State Accident Fund Accountability Report for FY 2010-201.

G. **Number of Provisos:**
One (1): No changes requested to our proviso.

IIA. OPERATING BUDGET PROGRAMS
Agency Section/Code/Name: Section 59/R12/State Accident Fund

SUMMARY OF OPERATING BUDGET PROGRAMS FOR FY 2012-13

OPERATING BUDGET PROGRAMS			FUNDING					FTEs			
Title	Activity Name	Activity No.	Non-Recurring State	Recurring State	Federal	Other	Total	State	Federal	Other	Total
Workers Compensation Insurance	Adminstration	1325				1,050,490	1,050,490			8.80	8.80
Workers Compensation Insurance	Workers' Compsnation Insurance Services	1326				5,610,031	5,610,031			72.20	72.20
							0				0.00
							0				0.00
							0				0.00
							0				0.00
For additional rows, place cursor in this gray box and press "Ctrl" + "b". (You need to start in this gray box for each row needed or the formulas will not copy properly.)											
TOTAL OF ALL OPERATING BUDGET PROGRAMS			**0**	**0**	**0**	**6,660,521**	**6,660,521**	**0.00**	**0.00**	**81.00**	**81.00**

IIB. CAPITAL BUDGET/NON-RECURRING REQUESTS FOR FY 2012-13
Agency Section/Code/Name: Section 59/R12/State Accident Fund

SUMMARY OF CAPITAL BUDGET/NON-RECURRING REQUESTS FOR FY 2012-13

CAPITAL BUDGET/NON-RECURRING REQUESTS				Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Project No.*	Project Name	Activity Name	Activity No.				
							0
							0
							0
							0
							0
For additional rows, place cursor in this gray box and press "Ctrl" + "c". (You need to start in this gray box for each row needed or the formulas will not copy properly.)							
TOTAL OF ALL CAPITAL BUDGET/NON-RECURRING REQUESTS				0	0	0	0

*if applicable

The State Accident Fund has no Capital Budget or Non-Recurring Requests for Budget Year FY 2012-13

A. Summary description of programs and how they relate to the mission of the agency:

Workers' Compensation services is the agency's only program. The agency's mission is:
Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, when in the best interest of the State, businesses in the private sector.

B. Budget Program Number and Name:

I. Administration

C. Agency Activity Number and Name:
Note: If more than one activity maps to this program; provide all activity numbers, names, and approximate funding amounts.

Activity Number	Activity Name	State Non-Recurring	State Recurring	Federal	Other	Total
1325	Administration				$1,050,490	$1,050,490
1326	Workers' Compensation Insurance Services				$5,610,031	$5,610,031

D. Performance Measures:
The three performance measures that could be used to determine program performance are:

1. Customer Satisfaction Survey Results. The State Accident Fund has conducted a customer survey annually for the last 18 years to measure customer satisfaction. The percentage of positive response for the last three years are:
   - 2009 96.6%
   - 2010 95.4%
   - 2011 98.1%

2. Administrative Cost Ratio. The percentage of premium spent on administration and not paid out in benefits compared to private sector (last available data for private sector 36.1%).
   - 2009 6.6%
   - 2010 6.6%
   - 2011 5.6%

3. Average Medical and Indemnity Costs. Compare average medical and indemnity costs per claim to the average for private sector.
   - 2009 Medical $2,631 (69% less) Indemnity $10,986 (63% less)
   - 2010 Medical $2,705 (64% less) Indemnity $11,463 (63% less)
   - 2011 Medical $3,065 (64% less) Indemnity $11, 110 (63% less)

E. Program Interaction:
The State Accident Fund has only one program. It provides workers' compensation insurance services. The agency's number of FTEs has been reduced from 90.12 in 2006 to 81 in 2011.

F. Change Management:
The agency's mission has not changed over the last five years. However, over the last several years, the agency has focused on exploring and expanding efforts to control costs through vendor partnerships for medical management, pharmacy bill cost containment programs and subrogation services. This has allowed the agency to reduce costs and staff.

G. Detailed Funding Information:

FY 2012-13 Cost Estimates:	State Non-Recurring	State Recurring	Federal	Other	Total
Number of FTEs*		0.00	0.00	81.0	81.00
Personal Service	$0	$0	$0	3,205,309	$ 3,205,3090
Employer Contributions	$0	$0	$0	1,109,792	$ 1,109,7920
Program/Case Services	$0	$0	$0	$0	$ 0
Pass-Through Funds	$0	$0	$0	$0	$ 0
Other Operating Expenses	$0	$0	$0	2,345,420	$ 2,345,4200
Total	$ 0	$ 0	$ 0	$ 6,660,521	$ 6,660,521
** If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.*					

Is this budget category or program associated with a Capital Budget Priority? No
If yes, state Capital Budget Priority Number and Project Name:

Please List proviso numbers that relate to this budget category or programs funded by this category.

Proviso 59.1. (SAF: Educational Seminar Revenue) The State Accident Fund is authorized to set and collect fees for educational seminars. All revenue earned from educational seminars shall be retained by the agency and used for supplies, materials, and other expenses relating to the seminars.

H. Changes to the Appropriation:
Please explain any changes, to include re-alignments and funding or FTE increases requested in this year's appropriation, as detailed below:

Funding:

Year	State Non-Recurring	State Recurring	Federal	Other (Earmarked or Restricted)
2011-2012 Act				$6,672,521
2012-2013 Act				$6,660,521
Difference				($12,000)
% Difference				.18%

Explanation of Changes: This is the seventh consecutive year the agency's budget request has decreased. This year's decrease was in Personal Services.

I. Revenue Estimates:
Please detail Sources of revenue for this program, identified by SAP fund number if a live SCEIS agency or the STARS number if a STARS agency. If several sources remit to a single subfund that cannot be split by source and appropriation or program, provide an estimate of the revenue dedicated to this program.

SAP Fund Number	Source Name	General Fund	Other State	Earmarked	Restricted	Federal
32339000	Transfers from the Workers' Compensation Trust Fund			$6,660,521		

If expenditures for this program are greater than known or estimated revenues and the intent is to bridge part of this shortfall by drawing down balances in agency accounts or reserves, indicate the accounts and amount of the current reserve or balance that will likely be used below. (Not Applicable)

Please detail the long-term sustainability of this program if cash reserves are needed to operate. (Not Applicable)

If there is federal fund or other fund spending authority requested above the revenue streams detailed above, please indicate the amount and explanation for each. (Not Applicable)

J. FTE Positions:

Please detail the number of FTE's filled (F) by the program as of June 30 of each fiscal year, and the number authorized (A) by the Appropriations Act.

Fiscal Year	State	Other-Earmarked or Restricted	Federal	Total	Temporary, Temporary Grant, Time -limited
2012-2013 (A)		81		81	
2011-2012 (A)		81		81	
2010-2011 (F)		70		70	
2010-2011 (A)		81		81	
2009-2010 (F)		69		69	
2009-2010 (A)		86		86	
2008-2009 (F)		72		72	
2008-2009 (A)		86		86	
2007-2008 (F)		75		75	
2007-2008 (A)		86		86	

K. Detailed Justification for FTEs:

(1) Justification for New FTEs

(a) Justification: (Not Applicable)

(b) Future Impact on Operating Expenses or Facility Requirements: (Not Applicable)

(2) **Position Details: NA**

	State	Federal	Earmarked	Restricted	Total
Position Title:					
Number of FTEs	0.00	0.00	0.00	0.00	0.00
Personal Service	$0	$0	$0	$0	$ 0
Employer Contributions	$0	$0	$0	$0	$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
Number of FTEs	0.00	0.00	0.00	0.00	0.00
Personal Service	$0	$0	$0	$0	$ 0
Employer Contributions	$0	$0	$0	$0	$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
Number of FTEs	0.00	0.00	0.00	0.00	0.00
Personal Service	$0	$0	$0	$0	$ 0
Employer Contributions	$0	$0	$0	$0	$ 0

IV. Capital/Non-Recurring Appropriations Request	Agency Code R12	Agency Name: State Accident Fund

A. **Project Name:** ***The State Accident Fund has no Capital Budget or Non-Recurring Requested for Budget Year FY 2012-13.***

B. Project Approval:

C. Statement of Need:

D. Agency Activity Number and Name:
Note: If more than one activity maps to this project provide all activity numbers, names, and approximate funding amounts.

Activity Number	Activity Name	State Non-Recurring Funds	State Recurring Funds	Federal Funds	Other Funds	Total Funds
						$0
						$0
						$0
						$0
						$0

E. Project Description:
Note: In addition to a basic description, include whether or not this is a capital or non-capital project. If non-capital, explain how this non-recurring appropriation will be spent on non-recurring activities.

F. Funding
Total New Request: _____ Previously Approved Funds: _____ Expenditures to Date: _____

Identify the source(s) of funds for this appropriation (general fund, surplus, federal funding, local match, etc.):

G. Justification for additional future operating costs:
Will additional annual operating costs be absorbed into your existing budget? If so, what resources will lose funding to facilitate this?

If not, will additional funds be needed in the future?

Identify the source of additional funds:

Detail the lifecycle cost of the funded project below

Year	Capital	Operating	Total		State; Non-Recurring	General; Recurring	Federal	Other (Earmarked/ Restricted)		Use of Current FTE	Additional FTEs needed
1											
2											
3											
4											
5											
6+											

V. Proviso Justification Form	Agency Code: R12	Agency Name: State Accident Fund

A. Proviso Number
59.1

B. Appropriation
I. Administration, Special Items:

C. Agency Interest
Agency Specific

D. Action
Keep

E. Title
Educational Seminar Revenue

F. Summary
This proviso allows the agency to collect fees for educational seminars. The agency is authorized to retain all of the money collected and use it to pay for seminar related expenses.

G. Explanation of Amendment to/or Deletion of Existing Proviso
(If request to delete proviso is due to codification, note the section of the Code of Laws where the language has been codified): Not Applicable

H. Explanation of how this proviso directs the expenditure or appropriation of funds, and why this direction is necessary
If major changes in law or procedures are implemented as a result of legislative or regulatory changes, the agency can provide necessary training on a user fee basis.

I. Justification
This proviso has not been codified because it unique to the agency and is not a continuing or reoccurring requirement.

J. Fiscal Impact (Include impact on each source of funds – state, federal, and other)
None

K. Text of New Proviso with Underline or Entire Existing Proviso Text with Strikeover and Underline
59.1. *(SAF: Educational Seminar Revenue) The State Accident Fund is authorized to set and collect fees for educational seminars. All revenue earned from educational seminars shall be retained by the agency and used for supplies, materials, and other expenses relating to the seminars.*

FY 2012-13 Agency Budget Request	Agency Code R12	Agency Name: State Accident Fund

Federal Aid Justification	0

Summary

Award Title	Not Applicable. The State Accident Fund does not receive Federal Funds.				
CFDA Number/Title				If "Other", identify:	
Award Number (Federal)		Start Date		Federal Agency	
Award Number (State)		End Date		Federal Subagency	
Award Period				If "Other", explain:	

Financial

Total Award Amount		Amount Available in FY 2012-13	
State Match Required?		If "Yes", describe, and provide SAP Fund Number(s) of funding sources	
Local Match Required?		If "Yes", describe	
Assistance Type		If "Other", explain	

Is administrative and/or indirect cost recovery permitted? If so, explain:	Explanation would be here.
Will funds be passed-through to other entities? If so, what types of entities, and how will funds be distributed?	Answer and elaboration here.

FY 2012-13 Agency Budget Request	Agency Code R12	Agency Name: State Accident Fund

Federal Aid Justification	0

Questions

How is the use of these funds essential to your agency's mission?

Text.

What budgetary, compliance, and programmatic obligations will the state incur (now or in the future) through the receipt of these funds?

Text.

What outcome and/or performance measures will you track and/or report on in association with this award?

Text.

What is the name and title of the individual in your agency who is responsible for the success of this program?

Text.