

**Workforce Safety and Insurance
Budget No. 485
House Bill No. 1021**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriation	260.14	\$0	\$73,186,928	\$73,186,928
2019-21 legislative appropriation	260.14	0	69,765,894	69,765,894
2021-23 appropriation increase (decrease) to 2019-21 appropriation	0.00	\$0	\$3,421,034	\$3,421,034

Item Description

FTE position changes - The Legislative Assembly approved 260.14 FTE positions for Workforce Safety and Insurance (WSI) for the 2021-23 biennium, the same as the 2019-21 biennium.

One-time funding - The 2021 Legislative Assembly appropriated \$11.06 million of one-time funding from other funds for WSI for the 2021-23 biennium, including:

	Other Funds
Claims and policy system (CAPS)	\$7,500,000
MyWSI enhancement project	3,050,000
Building upgrades	514,000
Total	\$11,064,000

Claims and policy system (CAPS) - 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. The funding provided was for Releases 1, 2, and 3 of the project.

The Legislative Assembly has appropriated \$28.6 million of one-time funding from the WSI fund as follows for the project:

Status/Result

No changes to FTE positions were made by the 2021 Legislative Assembly.

Through March 2022, \$34,085 has been spent on building upgrades by replacing elevator doors and rail guides in February 2022. Geothermal heat pumps are expected to be replaced in May 2022 at a cost of \$99,902. LED lights are scheduled to be replaced beginning in May 2022 at a cost of \$306,801. The remaining \$73,212 may be used to purchase additional heat pumps for future replacement.

During the November 2021 special legislative session, the Legislative Assembly appropriated \$10 million from the federal State Fiscal Recovery Fund to the Office of Management and Budget for high-priority deferred maintenance projects in various agencies. The Office of Management and Budget transferred \$291,000 to WSI for energy management and direct digital control system enhancements. Workforce Safety and Insurance is evaluating how this funding may be used during the 2021-23 biennium.

See the **Claims and policy system (CAPS)** and **MyWSI enhancement project** sections below.

After the planning and analysis phase was completed in June 2015, the remaining four phases of the CAPS project began in July 2015. The four phases include shared components refacing, policyholder services application refacing, claims management system refacing, and program finalization. The shared components refacing phase was completed in February 2017. The estimated completion date for the policyholder services application refacing phase is June 2022.

Of the \$6,000,000 appropriated for the project for the 2015-17 biennium, WSI spent \$4,560,510. The remaining \$1,439,490 was canceled at the end of the 2015-17 biennium.

Of the \$8,120,097 appropriated for the project for the 2017-19 biennium, WSI spent \$5,052,599 to complete Releases 4, 5, and 6. Of the remaining \$3,067,498, \$410,329 was used for the MyWSI enhancement project while \$2,657,169 was not spent and was canceled at the end of the 2017-19 biennium.

Biennium	Releases	Appropriation
2015-17	1 - 3	\$6,000,000
2017-19	4 - 6	8,120,097
2019-21	7 -10	7,010,000
2021-23	9 - 13	7,500,000
Total		\$28,630,097

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 \$4.4 million of one-time funding from the WSI fund as follows for the project:

Biennium	Releases	Appropriation
2017-19	1 - 2	\$538,500
2019-21	3 - 4	850,000
2021-23	5 - 9	3,050,000
Total		\$4,438,500

Of the \$7,010,000 appropriated for the project for the 2019-21 biennium, WSI spent \$4,464,467 to complete Release 7 and substantially complete Release 8, which was completed in August 2021. The remaining \$2,545,533 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.

Through March 2022, WSI estimates \$2,394,928 will be spent on the CAPS project during the 2021-23 biennium to complete Releases 9 and 10. After completing Release 9, the policyholder services application refacing phase will be complete. The remaining appropriation of \$5,105,072 is expected to be canceled at the end of the biennium. The primary reason for expected spending being less than the appropriated amount is due to supply chain issues from the COVID-19 pandemic.

Estimated expenditures for the project through the 2021-23 biennium total \$16,472,504, including \$14,077,576 of actual spending through the 2019-21 biennium and \$2,394,928 of estimated spending during the 2021-23 biennium.

Workforce Safety and Insurance anticipates requesting \$5 million from the 2023 Legislative Assembly to continue the project during the 2023-25 biennium.

The anticipated completion date for the entire project is January 2030 at an estimated cost of \$34.5 million.

During the 2015-17 biennium, WSI used \$469,031 of savings from the claims and policy system project to begin the planning phase of the MyWSI enhancement project for extranet infrastructure analysis.

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 CAPS, resulting in a total of \$948,829 for the project during the 2017-19 biennium.

Of the \$850,000 appropriated for the project for the 2019-21 biennium, WSI spent \$843,890 to complete Release 3 and substantially complete Release 4, which was completed in August 2021. The remaining \$6,110 was canceled at the end of the 2019-21 biennium.

Through March 2022, WSI estimates \$1,500,092 will be spent on the MyWSI project during the 2021-23 biennium to complete Releases 5 and 6. The remaining appropriation of \$1,549,908 is expected to be canceled at the end of the biennium. The primary reason for expected spending being less than the appropriated amount is due to supply chain issues from the COVID-19 pandemic.

Estimated expenditures for the project through the 2021-23 biennium total \$3,761,842, including \$2,261,750 of actual spending through the 2019-21 biennium and \$1,500,092 of estimated spending during the 2021-23 biennium.

Workforce Safety and Insurance anticipates requesting \$2 million from the 2023 Legislative Assembly to continue the project during the 2023-25 biennium.

The anticipated completion date for the entire project is March 2026 at an estimated cost of \$6.9 million.

Federal COVID-19 funding - 2019-21 biennium - In House Bill No. 1395 (2021), the Legislative Assembly appropriated \$1,018,052 from the federal Coronavirus Relief Fund to WSI for telework expenses and first responder workers compensation claims during the 2019-21 biennium. The Legislative Assembly authorized the funding to be continued into the 2021-23 biennium.

Financial reserves - 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.

Workforce Safety and Insurance spent the entire \$1,018,052 prior to December 31, 2020, pursuant to spending authority provided by the Emergency Commission and Budget Section during the 2019-20 interim. Of the total, \$3,184 was spent on telework expenses and \$1,014,868 was spent for costs associated with COVID-19 claims.

As of June 30, 2021, WSI's actuarially established discounted reserve was \$1 billion. Based on Section 65-04-02, the fund surplus target was \$200 million to \$400 million. The fund surplus balance on June 30, 2021, was \$1.13 billion, after deducting dividend payments of \$90 million. Of the \$1.13 billion, \$9 million was committed to safety and education grants and \$14.2 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2021, was \$1.11 billion, equivalent to 210.8 percent of the discounted reserve.

The WSI Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2021. 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 \$1.2 billion, which included the fund surplus balance of \$1.13 billion and dividends expense of \$90 million, less \$9 million of safety and education grants and \$14.2 million of educational revolving loan fund, equivalent to 220 percent of the discounted reserve.

Workforce Safety and Insurance has issued dividend credits in 15 of the previous 16 fiscal years, totaling approximately \$1.5 billion.