

State of Alaska
FY2011 Governor's Operating Budget

Department of Labor and Workforce Development
Second Injury Fund
Component Budget Summary

Component: Second Injury Fund

Contribution to Department's Mission

The Second Injury Fund component contributes to the department's mission by facilitating reemployment of injured workers.

Core Services

- Collect assessments from insurers and self-insured employers.
- Assist employers in hiring and retaining employees with qualifying disabilities through disability benefit reimbursements.

Key Component Challenges

In *Raymond Clark v. Kennecott Greens Creek Mining*, AWCAC Decision No. 07-0077, June 9, 2008, the Alaska Workers' Compensation Appeals Commission found that the Second Injury Fund must reimburse benefits paid pursuant to AS 23.30.041(k). Since the Fund does not assess .041(k) benefits under AS 23.30.040(b), this ruling may increase the Fund's liability substantially. Over time this could have a significant negative impact to the Fund balance. We are currently assessing the impact on the Second Injury Fund and looking at a potential statutory change to address the Appeals Commission decision.

Significant Changes in Results to be Delivered in FY2011

No significant changes expected.

Major Component Accomplishments in 2009

The Fund was able to reimburse employers and/or insurers \$3.6 million on 110 claims in FY2009. The ending fund balance for FY2009 was \$6,259.1.

Statutory and Regulatory Authority

Statutory Authority:

AS 23.30.040
AS 23.30.205

Second Injury Fund
Injury Determination

Administrative Regulations:

8 AAC 50

Second Injury Fund

Contact Information

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**Second Injury Fund
Component Financial Summary**

All dollars shown in thousands

	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	166.9	178.5	182.8
72000 Travel	0.7	2.5	2.5
73000 Services	26.3	44.9	40.9
74000 Commodities	0.1	5.2	5.2
75000 Capital Outlay	0.0	8.0	8.0
77000 Grants, Benefits	3,658.5	3,739.0	3,739.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,852.5	3,978.1	3,978.4
Funding Sources:			
1004 General Fund Receipts	0.0	0.2	0.2
1031 Second Injury Fund Reserve Account	3,852.5	3,977.9	3,978.2
Funding Totals	3,852.5	3,978.1	3,978.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2009 Actuals	FY2010 Conference Committee	FY2010 Authorized	FY2010 Authorized	FY2011 Governor
Unrestricted Revenues						
Second Injury Fund Reserve Account	51075	3,852.5	0.0	0.0	3,977.9	3,978.2
Unrestricted Total		3,852.5	0.0	0.0	3,977.9	3,978.2
Restricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Restricted Total		0.0	0.0	0.0	0.0	0.0
Total Estimated Revenues		3,852.5	0.0	0.0	3,977.9	3,978.2

**Summary of Component Budget Changes
From FY2010 Management Plan to FY2011 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2010 Management Plan	0.2	0.0	3,977.9	3,978.1
Adjustments which will continue current level of service:				
-FY2011 Health Insurance Cost Increase Non-Covered Employees	0.0	0.0	0.3	0.3
FY2011 Governor	0.2	0.0	3,978.2	3,978.4

**Second Injury Fund
Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2010 Management Plan	FY2011 Governor		
Full-time	2	2	Annual Salaries	122,459
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	65,103
			<i>Less 2.54% Vacancy Factor</i>	<i>(4,762)</i>
			Lump Sum Premium Pay	0
Totals	2	2	Total Personal Services	182,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Worker Comp Off I	0	0	1	0	1
Worker Comp Technician	0	0	1	0	1
Totals	0	0	2	0	2

Component Detail All Funds
Department of Labor and Workforce Development

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

	FY2009 Actuals	FY2010 Conference Committee	FY2010 Authorized	FY2010 Management Plan	FY2011 Governor	FY2010 Management Plan vs FY2011 Governor	
71000 Personal Services	166.9	178.5	178.5	178.5	182.8	4.3	2.4%
72000 Travel	0.7	2.5	2.5	2.5	2.5	0.0	0.0%
73000 Services	26.3	44.8	44.9	44.9	40.9	-4.0	-8.9%
74000 Commodities	0.1	5.2	5.2	5.2	5.2	0.0	0.0%
75000 Capital Outlay	0.0	8.0	8.0	8.0	8.0	0.0	0.0%
77000 Grants, Benefits	3,658.5	3,739.0	3,739.0	3,739.0	3,739.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	3,852.5	3,978.0	3,978.1	3,978.1	3,978.4	0.3	0.0%
Fund Sources:							
1004 Gen Fund	0.0	0.2	0.2	0.2	0.2	0.0	0.0%
1031 Sec Injury	3,852.5	3,977.8	3,977.9	3,977.9	3,978.2	0.3	0.0%
General Funds	0.0	0.2	0.2	0.2	0.2	0.0	0.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	3,852.5	3,977.8	3,977.9	3,977.9	3,978.2	0.3	0.0%
Positions:							
Permanent Full Time	2	2	2	2	2	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Labor and Workforce Development

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2010 Conference Committee To FY2010 Authorized *****												
FY2010 Conference Committee												
	ConfCom	3,978.0	178.5	2.5	44.8	5.2	8.0	3,739.0	0.0	2	0	0
1004 Gen Fund		0.2										
1031 Sec Injury		3,977.8										
ADN0701063 Personnel Funding Transfer from the Department of Administration												
	Atrin	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0	0	0
1031 Sec Injury		0.1										
Pursuant to Section 1, Chapter 12, SLA 2009, page 2 - line 29-31, page 3 - line 3, \$66,400 is distributed to state agencies in order to pay service costs charged by the Department of Administration, Division of Personnel for centralized personnel services.												
The amounts transferred to state agencies from Division of Personnel is as follows: DCED, \$12.3; Revenue, \$7.3; Law, \$5.3; Labor, \$12.1; H&SS, \$21.9; Administration, \$7.5.												
	Subtotal	3,978.1	178.5	2.5	44.9	5.2	8.0	3,739.0	0.0	2	0	0
***** Changes From FY2010 Authorized To FY2010 Management Plan *****												
ADN0791193 Position Adjustments Previously Approved by Revised Program (PCN 07-3026)												
	PosLoc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
ADN 0791193 approved 6/9/09 authorized the Duty Station Change for a full time Administrative Officer (PCN 07-3026) from Juneau to Anchorage to align management with staffing.												
	Subtotal	3,978.1	178.5	2.5	44.9	5.2	8.0	3,739.0	0.0	2	0	0
***** Changes From FY2010 Management Plan To FY2011 Governor *****												
To Align Authorization with Anticipated Expenditures												
	LIT	0.0	4.0	0.0	-4.0	0.0	0.0	0.0	0.0	0	0	0
Transfer \$4.0 from the Contractual line to Personal Services to support the costs for reclassification of a position (PCN 07-3023) that was necessary to align the classification with job duties, and for the costs of normal merit step increases.												
Funds are available for transfer from the Contractual line due to savings realized from the reduced costs for office equipment maintenance contracts.												
FY2011 Health Insurance Cost Increase Non-Covered Employees												
	SalAdj	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1031 Sec Injury		0.3										

Change Record Detail - Multiple Scenarios With Descriptions
Department of Labor and Workforce Development

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
Costs associated with Health Insurance Increases.: \$0.3												
	Totals	3,978.4	182.8	2.5	40.9	5.2	8.0	3,739.0	0.0	2	0	0

Personal Services Expenditure Detail
Department of Labor and Workforce Development

Scenario: FY2011 Governor (7749)
Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Month	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
07-1026	Prog Coordinator	FT	A	SS	Juneau	2A	20J / K	3.5	*	22,918	0	0	10,854	33,772	0
07-3001	Division Director	FT	A	XE	Juneau	AA	27F	2.0	*	18,474	0	0	8,330	26,804	0
07-3023	Administrative Assistant II	FT	A	GP	Juneau	2A	14A	0.5	*	1,678	0	0	1,034	2,712	0
07-3026	Administrative Officer II	FT	A	SS	Anchorage	2A	19F	2.5	*	15,207	0	0	7,365	22,572	0
07-3033	Office Assistant I	FT	A	GP	Juneau	2A	8D	2.5	*	6,257	0	0	4,458	10,715	0
07-3046	Worker Comp Off I	FT	A	GP	Juneau	2A	16F	6.0	**	27,212	0	0	14,761	41,973	0
07-3055	Worker Comp Technician	FT	A	GP	Juneau	2A	12D	6.0	**	19,133	0	0	12,070	31,203	0
07-5527	Project Assistant	FT	A	GP	Juneau	2A	16F / G	2.5	*	11,580	0	0	6,231	17,811	0

Total Salary Costs:														122,459
Total COLA:														0
Total Premium Pay:														0
Total Benefits:														65,103
Total Pre-Vacancy:														187,562
Minus Vacancy Adjustment of 2.54%:														(4,762)
Total Post-Vacancy:														182,800
Plus Lump Sum Premium Pay:														0
Personal Services Line 100:														182,800

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1031 Second Injury Fund Reserve Account	187,562	182,800	100.00%
Total PCN Funding:	187,562	182,800	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Labor and Workforce Development
Travel

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
72000	Travel		0.7	2.5	2.5
Expenditure Account	Servicing Agency	Explanation	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
72000 Travel Detail Totals			0.7	2.5	2.5
72110	Employee Travel (Instate)	Travel for public meetings to administer program activities	0.7	2.5	2.5

Line Item Detail
Department of Labor and Workforce Development
Services

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Line Number	Line Name			FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
73000	Services			26.3	44.9	40.9
Expenditure Account	Servicing Agency	Explanation		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
73000 Services Detail Totals				26.3	44.9	40.9
73154	Software Licensing	Admin	Symantec/Microsoft software license fees (I/A transfer to DOA)	0.2	0.2	0.2
73156	Telecommunication		Cost for local and long distance charges and data network charges.	0.1	1.5	1.5
73169	Federal Indirect Rate Allocation	DOL Mgmt Svcs	Indirect cost allocation (I/A transfer to Management Services).	8.3	9.6	9.6
73225	Delivery Services		Transportation and freight charges.	0.0	6.7	2.7
73254	Dp Operations Alloc	DOL Data Proc	Data processing operations support (I/A transfer to Data Processing).	3.1	3.1	3.1
73450	Advertising & Promos		Advertising for regulations, seminars, board meetings.	0.0	2.6	2.6
73650	Struc/Infstruct/Land		Machine and equipment repair and maintenance.	0.1	9.2	9.2
73805	IT-Non-Telecommnctns	Admin	Computer network EPR (I/A transfer to DOA)	1.0	1.0	1.0
73806	IT-Telecommunication	Admin	Telecommunications EPR (I/A transfer to DOA).	3.4	1.8	1.8
73809	Mail	Admin	Core Service: Mail (I/A transfer to DOA).	0.2	0.0	0.0
73810	Human Resources	Admin	Human Resource services (I/A transfer to DOA).	1.3	1.2	1.2
73811	Building Leases	Admin	Building lease charges (I/A transfer to DOA).	8.4	7.9	7.9
73815	Financial	Admin	Core Service: AKPAY/AKSAS (I/A transfer to DOA).	0.2	0.1	0.1

Line Item Detail
Department of Labor and Workforce Development
Commodities

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
74000	Commodities		0.1	5.2	5.2
Expenditure Account	Servicing Agency	Explanation	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
74000 Commodities Detail Totals			0.1	5.2	5.2
74200	Business	Office supplies, information technology equipment and subscriptions.	0.1	5.2	5.2

Line Item Detail
Department of Labor and Workforce Development
Capital Outlay

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
75000	Capital Outlay		0.0	8.0	8.0
Expenditure Account	Servicing Agency	Explanation	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
75000 Capital Outlay Detail Totals			0.0	8.0	8.0
75700	Equipment	Purchase of copiers and related equipment.	0.0	8.0	8.0

Line Item Detail
Department of Labor and Workforce Development
Grants, Benefits

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
77000	Grants, Benefits		3,658.5	3,739.0	3,739.0
Expenditure Account	Servicing Agency	Explanation	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
77000 Grants, Benefits Detail Totals			3,658.5	3,739.0	3,739.0
77670	Benefits	Payments under AS 23.30.205 reflect the Second Injury Fund benefits to reinjured disabled workers through reimbursement to employers/insurers.	3,658.5	3,739.0	3,739.0

Unrestricted Revenue Detail
Department of Labor and Workforce Development

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Master Account	Revenue Description	FY2009 Actuals	FY2010	
			Management Plan	FY2011 Governor
51075	Second Injury Fund Reserve Account	3,852.5	3,977.9	3,978.2

Detail Information

Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
51075	Second Injury Fund	Second Injury Fund	7340600	11117	3,852.5	3,977.9	3,978.2

The Second Injury Fund is a dedicated fund established to encourage employers to hire and retain persons with pre-existing physical conditions. Employers and insurers support the fund with payments that are based on a percentage of their yearly disability compensation payments to their injured workers.

Under AS 23.30.040 the contribution percentage rate ranges from 0% to 6%, based upon the Fund's reserve rate for the preceding year, and the applicable percentage is reset each year. In recent years the rates have varied from 0% (1989) to 3% (1990), 5% (1991, 1995, 1997, 1998, 2000), and the maximum 6% (1992-1994, 1996, 1999, 2001-2008). The contribution rate is 5% in 2009 and is projected to be 4% in 2010.

These funds are used to support operations of the Second Injury Fund program.

Inter-Agency Services
Department of Labor and Workforce Development

Component: Second Injury Fund (2342)
RDU: Workers' Compensation (112)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2010			
				FY2009 Actuals	Management Plan	FY2011 Governor	
73154	Software Licensing	Symantec/Microsoft software license fees (I/A transfer to DOA)	Inter-dept	Admin	0.2	0.2	0.2
73154 Software Licensing subtotal:					0.2	0.2	0.2
73169	Federal Indirect Rate Allocation	Indirect cost allocation (I/A transfer to Management Services).	Intra-dept	DOL Mgmt Svcs	8.3	9.6	9.6
73169 Federal Indirect Rate Allocation subtotal:					8.3	9.6	9.6
73254	Dp Operations Alloc	Data processing operations support (I/A transfer to Data Processing).	Intra-dept	DOL Data Proc	3.1	3.1	3.1
73254 Dp Operations Alloc subtotal:					3.1	3.1	3.1
73805	IT-Non-Telecommnctns	Computer network EPR (I/A transfer to DOA)	Inter-dept	Admin	1.0	1.0	1.0
73805 IT-Non-Telecommnctns subtotal:					1.0	1.0	1.0
73806	IT-Telecommunication	Telecommunications EPR (I/A transfer to DOA).	Inter-dept	Admin	3.4	1.8	1.8
73806 IT-Telecommunication subtotal:					3.4	1.8	1.8
73809	Mail	Core Service: Mail (I/A transfer to DOA).	Inter-dept	Admin	0.2	0.0	0.0
73809 Mail subtotal:					0.2	0.0	0.0
73810	Human Resources	Human Resource services (I/A transfer to DOA).	Inter-dept	Admin	1.3	1.2	1.2
73810 Human Resources subtotal:					1.3	1.2	1.2
73811	Building Leases	Building lease charges (I/A transfer to DOA).	Inter-dept	Admin	8.4	7.9	7.9
73811 Building Leases subtotal:					8.4	7.9	7.9
73815	Financial	Core Service: AKPAY/AKSAS (I/A transfer to DOA).	Inter-dept	Admin	0.2	0.1	0.1
73815 Financial subtotal:					0.2	0.1	0.1
Second Injury Fund total:					26.1	24.9	24.9
Grand Total:					26.1	24.9	24.9