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Administrative Assessment Report

Fiscal 1983



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WORKERS'
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DIVISION OF
WORKERS'
COMPENSATION



TED SCHWINDEN, GOVERNOR

815 FRONT STREET

STATE OF MONTANA

HELENA, MONTANA 59604

September 1982

TO: All Plan I Self-Insurers and Plan II Insurance Carriers

Please find enclosed your bill for the assessments, which have been levied for fiscal year July 1, 1982, through June 30, 1983. The three assessments based on existing statutes are explained as follows:

REHABILITATION ASSESSMENT (Section 39-71-1004 M.C.A.):

Assessments in this category are based on one percent of the compensation paid. The compensation paid is compiled from the monthly reports submitted to the Division by the Self-insurers, insurance companies or the insurance adjusters. The assessments are collected by the Division and transferred to the Department of Social and Rehabilitation Services to assist in the rehabilitation of injured workers. The Rehabilitative Services Division receives matching funds from the federal government.

SUBSEQUENT INJURY FUND ASSESSMENT (Section 39-71-902 M.C.A.):

Assessments in this category may be levied up to a maximum of five percent (5%) of the compensation paid. The Subsequent Injury Fund is used to reduce the liability of employers who hire employees certified by the Division to have a permanent physical impairment which is a substantial obstacle to obtaining employment. The Division determined that at the present the amount in the Subsequent Injury Fund is sufficient to meet the financial obligations. Therefore, there will be no Subsequent Injury assessment for this year.

ADMINISTRATIVE ASSESSMENTS (Section 39-71-201 M.C.A.):

This statute allows the Division to levy administrative assessments to pay for operating costs based on equitable allocation procedures. The Administrative Assessment Report shows the detailed calculations used to determine the assessment rate.

Please send your remittance for the total assessment due within ten days to the Division of Workers' Compensation, 815 Front Street, Helena, MT 59604.

Feel free to contact me if you have any questions.

Sincerely,

WILLIAM R. PALMER
Assistant Administrator

WRP/bc
Enclosures

REPORT ON ADMINISTRATIVE ASSESSMENTS LEVIED
AGAINST PLAN I SELF-INSURERS, PLAN II INSURANCE
CARRIERS, AND PLAN III STATE COMPENSATION INSURANCE FUND

For the Period July 1, 1982 - June 30, 1983

In order to fund the administrative and operational functions of the Division of Workers' Compensation, the Montana Workers' Compensation Act requires the Division to assess Compensation Plan I self-insurers, Plan II private insurance carriers, and Plan III State Compensation Insurance Fund.

Section 39-71-201 M.C.A. provides the basis for levying administrative assessments against the three compensation plans. The statute provides in part:

"...the assessments shall be sufficient to fund the direct costs identified to the three (3) plans and an equitable portion of the indirect costs distributed to the plans using proper accounting and cost allocation procedures. Plan No. 3 shall be assessed an amount sufficient to fund its direct costs and an equitable portion of the indirect costs as referred to above. Other sources of revenue including unexpended funds from the preceding fiscal year shall be used to reduce the costs before levying the assessments."

The law requires the Division to allocate the costs of operation to Plans I, II and III on an equitable basis in order to calculate an assessment rate. The total needed assessment consists of direct and indirect costs. Direct costs include major program costs that can be identified to one of the three plans. Indirect costs cannot be directly attributed to one of the three plans and, therefore, must be allocated to each plan based on reasonable and logical factors.

The administrative assessments are separated into three phases.

-----PHASE I-----

PHASE I consists of the schedules identified as "Exhibit A". The purpose of these schedules is to recalculate the fiscal year 1981-82 assessments so that unexpended funds can be properly credited to the three plans and actual costs can be redistributed based on actual factors.

Exhibit A-1

This exhibit allocates the executive, centralized services, debt service, accounting unit, and the commissioner's actual costs to the other programs and sub-programs. The Division has determined that the use of actual operation costs is the most equitable method of distribution. The Crime Victims and Uninsured Employers programs are also assessed their fair share of these administrative costs, which reduces the assessment to Plans I, II and III. A separate report will be prepared to assess these two sub-programs for the direct and indirect costs.

Exhibit A-2

This exhibit shows the distribution to Plans I, II and III of the 1981-82 estimated cost allocations compared to the distribution of the actual costs using actual factors. This method allows for a proper allocation of the unexpended funds to Plans I, II and III, which will change the 1982-83 assessments by the totals shown at the bottom of page 8.

The distribution is made using actual activity and cost figures, the program's share of administrative costs, other funding sources, and relevant criteria or factors for each program.

Exhibit A-3

This exhibit identifies and distributes \$26,793.97 to Plans I and II which was over collected to meet the 1981-82 needed assessment. Allocation is subsequently made to adjust the 1982-83 needed assessment accordingly.

-----PHASE II-----

PHASE II consists of the schedules identified as "Exhibit B". The purpose of these schedules is to determine the total needed assessment for 1982-83 based on estimated costs distributed to the three plans using 1981-82 actual factors.

Exhibit B-1

This exhibit allocates the fiscal year 1983 executive, centralized services, debt service for the new building, accounting unit, and the commissioner's estimated costs to the other programs based on the actual operating costs

for fiscal year 1982. Since there is no uniform factor, such as claims, inspections, etc., which would equitably allocate these administrative costs to Plans I, II and III, the Division determined that allocating the costs to the other programs and in turn allocating the total costs, as shown in Exhibit B-2, to the three plans is most equitable.

Exhibit B-2

This exhibit distributes the fiscal year 1983 approved operating budget to the three plans. The distribution of these costs is based upon relative criteria for each program; i.e., number of inspections in the mining program or number of claims processed in the insurance compliance program. The factors and percentages used to distribute the costs are the 1981-82 actual figures as shown on Exhibit A-2.

At the bottom of the schedule, the "Total Needed Assessment" is shown for all three plans. The total needed assessment is reconciled to the amounts appropriated by the legislature to fund the Division's operations for fiscal year 1982-83.

The total needed assessment for each plan is increased or decreased to provide the proper distribution of the actual costs and unexpended balances from fiscal year 1981-82 as shown on Exhibit A-2. The assessment for Plans I and II is further adjusted by the amount of assessment collections from fiscal year 1981-82.

-----PHASE III-----

PHASE III consists of the schedule "Exhibit C-1." This phase calculates the assessment rate.

Exhibit C-1

This exhibit shows the calculation necessary to arrive at the assessment rate charged to each self-insurer and insurance carrier. The rate for Plan I is determined by dividing the total Plan I needed assessment calculated in Exhibit B-2 by the total calendar year 1981 gross annual payroll. The rate for Plan II is determined by dividing the total Plan II needed assessment calculated in

Exhibit B-2 by the total gross annual premium for calendar year 1981. Gross annual payroll was taken from reports submitted to the Division by all self-insurers. Gross annual premium was determined from the insurance carriers' annual reports submitted to the State Auditor's Office. The assessment for Plan III has been determined in Exhibit B-2.

Each Plan I self-insurer will be assessed by multiplying the rate determined in Exhibit C-1 by its gross annual payroll for calendar year 1981. Assessments for each Plan II insurance carrier will be determined by multiplying the rate determined in Exhibit C-1 by its gross annual premium for calendar year 1981. State law requires a minimum assessment of \$200.00.

Exhibit A-1

ALLOCATION OF EXECUTIVE, CENTRALIZED SERVICES, DEBT SERVICE, ACCOUNTING UNIT,
AND COMMISSIONER'S ACTUAL FISCAL YEAR 1981-82 COSTS TO OTHER PROGRAMS AND
SUB-PROGRAMS BASED ON THE ACTUAL F/Y 1982 OPERATING COSTS

<u>Program or Sub-Program</u>	<u>Actual Costs</u>	<u>Percentage of Total</u>	<u>Actual Cost Allocation**</u>
State Insurance Fund	\$1,571,973.17	43.4%	\$ 851,224.88
Insurance Compliance	435,491.26	12.0	235,361.72
Auditing	293,242.22	8.1	158,869.16
Rehabilitation	169,263.95	4.7	92,183.34
Crime Victims	38,502.69	1.1	21,574.82
Uninsured Employers	39,981.44	1.2	23,536.17
Data Processing	363,111.09	10.0	196,134.76
Safety Administration	66,568.73	1.8	35,304.26
Safety Compliance	305,773.60	8.4	164,753.20
Boiler Inspection	136,521.89	3.8	74,531.21
Mining Inspection	72,962.68	2.0	39,226.95
Training & Consultation	<u>126,364.77</u>	<u>3.5</u>	<u>68,647.17</u>
Total	<u>\$3,619,757.49</u>	<u>100.0%</u>	<u>\$1,961,347.64</u>

Actual Costs

Executive	\$ 410,112.72
Centralized Services	164,050.59
Debt Service - New Building	1,186,362.30
Accounting	172,277.03
Commissioner's Assessment	<u>28,545.00</u>
Total	<u>\$1,961,347.64</u>

** These figures represent the actual costs which should be allocated to the various programs and sub-programs and are added to the program costs on Exhibit A-2.

SCHEDULE OF FISCAL YEAR 1981-82 ESTIMATED COST ALLOCATION COMPARED TO THE 1981-82
 ACTUAL COSTS AND FACTORS TO DETERMINE THE INCREASES OR DECREASES AFFECTING THE
 FISCAL YEAR 1982-83 ESTIMATED COST ALLOCATION AS SHOWN ON EXHIBIT B-2

Program or Sub-Program	Costs and Factors	Plan I	Plan II	Plan III
1. Workers' Compensation Judge				
1981-82 Allocation		\$ 58,354.62	\$ 108,079.32	\$ 39,040.06
Actual:				
# of Hearings	258	59	124	75
Percent of Total Cost		22.9%	48.0%	29.1%
		\$ 55,996.23	\$ 117,372.00	\$ 71,156.77
INCREASE OR (DECREASE)		\$ (2,358.39)	\$ 9,292.68	\$ 32,116.71
2. Auditing				
1981-82 Allocation		\$ 206,274.68	\$ -0-	\$ 206,274.68
Actual:				
Cost	\$293,242.22			
Share of Administration	158,869.16			
Uninsured Employers Share @4.4%	(19,892.90)	\$ -0-	\$ -0-	\$ 432,218.48
INCREASE OR (DECREASE)		\$ 225,943.80	\$ -0-	\$ 225,943.80
3. Rehabilitation				
1981-82 Allocation		\$ 197,363.43	\$ 12,236.53	\$ 115,457.61
Actual:				
# of Claimants	408	54	153	201
Percent of Total Cost	\$169,263.95	13.2%	37.5%	49.3%
Share of Administration	92,183.34	\$ 34,511.04	\$ 98,042.73	\$ 128,893.52
INCREASE OR (DECREASE)		\$ 22,274.51	\$ 28,373.44	\$ 13,435.91
4. Data Processing				
1981-82 Allocation		\$ 491,628.62	\$ 33,430.75	\$ 313,167.43
Actual:				
# of Documents We Processed	600,674	37,807	178,103	384,764
Percent of Total Cost	\$363,111.09	6.3%	29.7%	64.0%
Share of Administration	196,134.76	\$ 35,232.49	\$ 166,096.02	\$ 357,917.34
INCREASE OR (DECREASE)		\$ 1,801.74	\$ 21,065.58	\$ 44,749.91

5. Safety Administration									
1981-82 Allocation		\$ 78,423.17	\$ 2,352.70	\$ 15,684.63	\$ 60,385.84				
Actual:									
Activity All Units		9,525	241	1,964	7,320				
Percent of Total			2.6%	20.6%	76.8%				
Cost	\$ 66,568.73								
Share of Administration	<u>35,304.26</u>	\$ 101,872.99	\$ 2,648.70	\$ 20,985.84	\$ 78,238.45				
INCREASE OR (DECREASE)		<u>\$ 23,449.82</u>	<u>\$ 296.00</u>	<u>\$ 5,301.21</u>	<u>\$ 17,852.61</u>				
6. Safety Compliance									
1981-82 Allocation		\$ 391,266.84	\$ 6,651.54	\$ 37,561.62	\$ 347,053.68				
Actual:									
Inspection Hours		6,468	145	417	5,906				
Percent of Total			2.3%	6.4%	91.3%				
Cost	\$ 305,773.60								
Share of Administration	<u>164,753.20</u>	\$ 424,808.21	\$ 9,770.59	\$ 27,187.72	\$ 387,849.90				
Less Federal On-Site Funding	<u>(45,718.59)</u>	<u>\$ 33,541.37</u>	<u>\$ 3,119.05</u>	<u>\$ (10,373.90)</u>	<u>\$ 40,796.22</u>				
INCREASE OR (DECREASE)		<u>\$ 145,997.38</u>	<u>\$ 3,503.94</u>	<u>\$ 96,650.27</u>	<u>\$ 45,843.17</u>				
7. Boiler Inspection									
1981-82 Allocation		2,413	38	1,455	920				
Actual:									
Boiler Activity			1.7%	60.2%	38.1%				
Percent of Total									
Cost	\$ 136,521.89								
Share of Administration	<u>74,531.21</u>	\$ 181,506.10	\$ 3,085.60	\$ 109,266.67	\$ 69,153.83				
Less License Fees Collected	<u>(29,547.00)</u>	<u>\$ 35,508.72</u>	<u>\$ (418.34)</u>	<u>\$ 12,616.40</u>	<u>\$ 23,310.66</u>				
INCREASE OR (DECREASE)		<u>\$ 133,587.30</u>	<u>\$ 10,286.22</u>	<u>\$ 30,190.73</u>	<u>\$ 93,110.35</u>				
8. Mining Inspection									
1981-82 Allocation		401	44	83	274				
Actual:									
Mining Activity			11.0%	20.7%	68.3%				
Percent of Total									
Cost	\$ 72,962.68								
Share of Administration	<u>39,266.95</u>	\$ 112,229.63	\$ 12,345.26	\$ 23,231.53	\$ 76,652.84				
INCREASE OR (DECREASE)		<u>\$ (21,357.67)</u>	<u>\$ 2,059.04</u>	<u>\$ (6,959.20)</u>	<u>\$ (16,457.51)</u>				

SCHEDULE OF FISCAL YEAR 1981-82 COSTS AND FACTORS (Continued)

Program or Sub-Program	Costs and Factors	Plan I	Plan II	Plan III
9. Safety Training & Consultation				
1981-82 Allocation	\$ 163,911.32	\$ 24,914.52	\$ -0-	\$ 138,996.80
Actual:				
# First Aid & Safety Courses	243	14	9	220
Percent of Total	\$126,364.77	5.8%	3.7%	90.5%
Cost	68,647.17			
Share of Administration	\$ 195,011.94	\$ 11,310.69	\$ 7,215.44	\$ 176,485.81
INCREASE OR (DECREASE)	\$ 31,100.62	\$ (13,603.83)	\$ 7,215.44	\$ 37,489.01
10. Insurance Compliance				
1981-82 Allocation	\$ 538,755.14	\$ 153,545.21	\$ 385,209.93	\$ -0-
Actual:				
# of Claims	2,956	721	2,235	-0-
Percent of Total		24.4%	75.6%	
Cost (Excludes General Fund)	\$435,491.26			
Share of Administration	\$ 670,852.98	\$ 185,777.08	\$ 485,075.90	\$ -0-
INCREASE OR (DECREASE)	\$ 132,097.84	\$ 32,231.87	\$ 99,865.97	\$ -0-
11. State Insurance Fund				
1981-82 Allocation	\$1,773,510.81	\$ -0-	\$ -0-	\$1,773,510.81
Actual:				
Cost	\$1,571,973.17			
Share of Administration	851,224.88	\$ -0-	\$ -0-	\$2,423,198.05
INCREASE OR (DECREASE)	\$ 649,687.24	\$ -0-	\$ -0-	\$ 649,687.24
TOTAL INCREASES OR (DECREASES)	\$1,280,723.83	\$ 45,401.65	\$ 166,397.62	\$1,068,924.56
To Exhibit B-2				

SCHEDULE CALCULATING AMOUNT OF INCOME COLLECTED
 IN EXCESS OF 1981-82 NEEDED ASSESSMENT
 TO BE CARRIED FORWARD TO 1982-83 ASSESSMENT

	<u>Total</u>	<u>Plan I</u>	<u>Plan II</u>
Total Collected	\$1,156,418.09	\$285,362.13	\$871,055.96
Total Needed Assessment F/Y 1982	<u>\$1,129,624.12</u>	<u>\$284,112.37</u>	<u>\$845,511.75</u>
Adjustment F/Y 1983 To Exhibit <u>B-2</u>	<u>\$(26,793.97)</u>	<u>\$(1,249.76)</u>	<u>\$(25,544.21)</u>

ALLOCATION OF EXECUTIVE, CENTRALIZED SERVICES, DEBT SERVICE, ACCOUNTING UNIT,
AND COMMISSIONER'S ESTIMATED FISCAL YEAR 1982-83 COSTS TO OTHER PROGRAMS
AND SUB-PROGRAMS BASED ON THE ACTUAL F/Y 1982 OPERATING COSTS
PER EXHIBIT A-1

<u>Program or Sub-Program</u>	<u>Percent of Total</u>	<u>Estimated Cost Allocation**</u>
State Insurance Fund	43.4%	\$ 664,563.37
Insurance Compliance	12.0%	183,750.24
Auditing	8.1%	124,031.41
Rehabilitation	4.7%	71,968.84
Crime Victims	1.1%	16,843.77
Uninsured Employers	1.2%	18,375.02
Data Processing	10.0%	153,125.20
Safety Administration	1.8%	27,562.54
Safety Compliance	8.4%	128,625.17
Boiler Inspection	3.8%	58,187.58
Mining Inspection	2.0%	30,625.04
Training and Consultation	<u>3.5%</u>	<u>53,593.82</u>
Total	<u>100.0%</u>	<u>\$1,531,252.00</u>

<u>Estimated Costs</u>	
Executive	\$ 425,968.00
Centralized Services	248,836.00
Debt Service - New Building	640,168.00
Accounting	180,880.00
Commissioner's Assessment	<u>35,400.00</u>
Total	<u>\$1,531,252.00</u>

** These figures are the estimated costs of administration allocated to the various programs and are added to the program costs on Exhibit B-2.

SCHEDULE OF FISCAL YEAR 1982-83 ESTIMATED COSTS PER
OPERATIONAL PLAN ALLOCATED TO PLANS I, II AND III
USING ACTUAL 1981-82 FACTORS** TO CALCULATE NEEDED ASSESSMENT

<u>Program or Sub-Program</u>	<u>Total Cost</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
1. Workers' Compensation Judge Cost	\$ <u>227,026.00</u>	22.9%	48.0%	29.1%
ALLOCATION	\$ <u>227,026.00</u>	\$ <u>51,988.95</u>	\$ <u>108,972.48</u>	\$ <u>66,064.57</u>
2. Auditing Cost	\$ 328,439.00	<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>
Share of Administration	124,031.41			
Less Uninsured Employers Share @4.4%	(19,908.68)			
ALLOCATION	\$ <u>432,561.73</u>	\$ <u>.00</u>	\$ <u>.00</u>	\$ <u>432,561.73</u>
3. Rehabilitation Cost	\$ 175,337.00	<u>13.2%</u>	<u>37.5%</u>	<u>49.3%</u>
Share of Administration	<u>71,968.84</u>			
ALLOCATION	\$ <u>247,305.84</u>	\$ <u>32,644.37</u>	\$ <u>92,739.69</u>	\$ <u>121,921.78</u>
4. Data Processing Cost	\$ 426,456.00	<u>6.3%</u>	<u>29.7%</u>	<u>64.0%</u>
Share of Administration	<u>153,125.20</u>			
ALLOCATION	\$ <u>579,581.20</u>	\$ <u>36,513.62</u>	\$ <u>172,135.62</u>	\$ <u>370,931.96</u>
5. Safety Administration Cost	\$ 72,883.00	<u>2.6%</u>	<u>20.6%</u>	<u>76.8%</u>
Share of Administration	<u>27,562.54</u>			
ALLOCATION	\$ <u>100,445.54</u>	\$ <u>2,611.58</u>	\$ <u>20,691.78</u>	\$ <u>77,142.18</u>
6. Safety Compliance Cost	\$ 349,664.00	<u>2.3%</u>	<u>6.4%</u>	<u>91.3%</u>
Share of Administration	<u>128,625.17</u>			
ALLOCATION	\$ <u>478,289.17</u>	\$ <u>11,000.65</u>	\$ <u>30,610.51</u>	\$ <u>436,678.01</u>
7. Boiler Inspection Cost	\$ 169,911.00	<u>1.7%</u>	<u>60.2%</u>	<u>38.1%</u>
Share of Administration	58,187.58			
Less Estimated Fees	(27,000.00)			
ALLOCATION	\$ <u>201,098.58</u>	\$ <u>3,418.68</u>	\$ <u>121,061.35</u>	\$ <u>76,618.55</u>

SCHEDULE OF FISCAL YEAR 1982-83 ESTIMATED COSTS (Continued)

<u>Program or Sub-Program</u>	<u>Total Cost</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
8. Mining Inspection		<u>11.0%</u>	<u>20.7%</u>	<u>68.3%</u>
Cost	\$ 119,664.00			
Share of Administration	<u>30,625.04</u>			
ALLOCATION	\$ <u>150,289.04</u>	\$ <u>16,531.79</u>	\$ <u>31,109.83</u>	\$ <u>102,647.42</u>
9. Safety Training & Consultation		<u>5.8%</u>	<u>3.7%</u>	<u>90.5%</u>
Cost	\$ 122,389.00			
Share of Administration	<u>53,593.82</u>			
ALLOCATION	\$ <u>175,982.82</u>	\$ <u>10,207.00</u>	\$ <u>6,511.36</u>	\$ <u>159,264.46</u>
10. Insurance Compliance		<u>24.4%</u>	<u>75.6%</u>	<u>0.0%</u>
Cost (Excludes General Fund)	\$ 477,160.00			
Share of Administration	<u>183,750.24</u>			
ALLOCATION	\$ <u>660,910.24</u>	\$ <u>161,262.10</u>	\$ <u>499,648.14</u>	\$ <u> .00</u>
11. State Insurance Fund		<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>
Cost	\$1,732,975.00			
Share of Administration	<u>664,563.37</u>			
ALLOCATION	\$ <u>2,397,538.37</u>	\$ <u> .00</u>	\$ <u> .00</u>	\$ <u>2,397,538.37</u>
TOTAL NEEDED ASSESSMENT	\$5,651,028.53	\$326,178.74	\$1,083,480.76	\$4,241,369.03
Adjustment Exhibit <u>A-2</u>	\$1,280,723.83	\$ 45,401.65	\$ 166,397.62	\$1,068,924.56
Collection Adjustment Exhibit <u>A-3</u>	\$ (26,793.97)	\$ (1,249.76)	\$ (25,544.21)	\$ <u> .00</u>
NET NEEDED ASSESSMENT	\$ <u>6,904,958.39</u>	\$ <u>370,330.63</u>	\$ <u>1,224,334.17</u>	\$ <u>5,310,293.59</u>

** Factors shown on Exhibit A-2 and only Percent of Total figures shown on this schedule.

CALCULATION OF FISCAL YEAR 1982-83 ASSESSMENT RATE
 FOR PLANS I, II AND III BASED ON 1981 CALENDAR YEAR
 GROSS PAYROLL AND GROSS ANNUAL PREMIUM

Plan I

Net F/Y 83 Needed Assessment (Exhibit <u>B-2</u>)	\$ 370,330.63
Divided by	.
Gross Annual Payroll	\$503,270,064.36
Equals	==
Plan I Assessment Rate	<u>.074%</u>

Plan II

Net F/Y 83 Needed Assessment (Exhibit <u>B-2</u>)	\$ 1,224,334.17
Divided by	.
Gross Annual Premium	\$ 26,405,788.82
Equals	==
Plan II Assessment Rate	<u>4.64%</u>

Plan III

Net F/Y 83 Needed Assessment (Exhibit <u>B-2</u>)	\$ <u>5,310,293.59</u>
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