APPENDIX A

Authorizing Legislation

CHAPTER 425

S.P. 21 - L.D. 35

An Act To Increase the Assessment on Workers' Compensation Insurance To Fund the Workers' Compensation Board Administrative Fund

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the operating expenses necessary for the Workers' Compensation Board to provide adequate services to the employers and workers of this State have increased to a level beyond that contemplated by the current assessment limit; and

Whereas, if additional funding is not available before the 90-day period has expired, it may become necessary for the Workers' Compensation Board to suspend the employee advocate program and lay off the advocate staff; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 39-A MRSA §152, sub-§2-A is enacted to read:

2-A. Electronic filing rulemaking. The board shall adopt rules requiring the electronic filing of information required by this Act and by board rule. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

A. The rules must be developed through the consensus-based rule development process set forth in Title 5, section 8051-B and must include as participants representatives of employers, insurers and 3rd-party administrators.

B. The rules must include written standards and procedures for implementation of the standards, which may include definition of the applicable programming interface for in-state and out-of-state entities required to submit reports. The rules must relate specific forms required to be filed with data points in the standards.

Before adopting the rules, the board shall test the applicable application programming interfaces and standards to ensure that the program operates successfully.

Sec. 2. 39-A MRSA §154, sub-§6, as amended by PL 2003, c. 93, §1, is further amended to read:

6. Assessment levied. The assessments levied under this section may not be designed to produce more than $6,000,000 in revenues annually beginning in the 1995-96 fiscal year, more than $6,600,000 annually beginning in the 1997-98 fiscal year, more than $6,735,000 beginning in the 1999-00 fiscal year, more than $7,035,000 in the 2001-02 fiscal year ~~or~~, more than $6,860,000 beginning in the 2002-03 fiscal year, more than $8,390,000 beginning in the 2003-04 fiscal year, more than $8,565,000 beginning in the 2004-05 fiscal year or more than $8,525,000 beginning in the 2005-06 fiscal year. Assessments collected that exceed $6,000,000 beginning in the 1995-96 fiscal year, $6,600,000 beginning in the 1997-98 fiscal year, $6,735,000 beginning in the 1999-00 fiscal year, $7,035,000 in fiscal year 2001-02 ~~or~~, $6,860,000 beginning in the 2002-03 fiscal year, $8,390,000 beginning in the 2003-04 fiscal year, $8,565,000 beginning in the 2004-05 fiscal year or $8,525,000 beginning in the 2005-06 fiscal year by a margin of more than 10% must be refunded to those who paid the assessment. Any amount collected above the board's allocated budget and within the 10% margin must be used to create a reserve of up to 1/4 of the board's annual budget. The board, by a majority vote of its membership, may use its reserve to assist in funding its Personal Services account expenditures and All Other account expenditures and to help defray the costs incurred by the board pursuant to this Act including administrative expenses, consulting fees and all other reasonable costs incurred to administer this Act. The board shall notify the chairs and members of the joint standing

committee of the Legislature having jurisdiction over labor matters whenever the board receives approval from the State Budget Officer and the Governor to use reserve funds to increase its allotment above the allocation authorized by the Legislature. Any collected amounts or savings above the allowed reserve must be used to reduce the assessment for the following fiscal year. The board shall determine the assessments prior to May 1st and shall assess each insurance company or association and self-insured employer its pro rata share for expenditures during the fiscal year beginning July 1st. Each self-insured employer shall pay the assessment on or before June 1st. Each insurance company or association shall pay the assessment in accordance with subsection 3.

Sec. 3. Review. A commission is established to review the budget process of the Workers' Compensation Board.

1. Members. The commission consists of 2 Senators appointed by the President of the Senate, one representing each of the 2 political parties in the Legislature with the greatest number of members, 2 members of the House of Representatives appointed by the Speaker of the House of Representatives, one representing each of the 2 political parties in the Legislature with the greatest number of members, and 2 members of the Workers' Compensation Board, one representing and appointed by the labor members of the board and one representing and appointed by the management members of the board.

2. Chairs. The first-named Senator and the first-named member of the House of Representatives are the chairs of the commission.

3. Appointments; convening of commission. All appointments must be made no later than 30 days following the effective date of this Act. The appointing authorities shall notify the Executive Director of the Legislative Council once all appointments have been completed. Within 15 days after appointment of all members, the chairs shall call and convene the first meeting of the commission.

4. Duties. The commission shall review the process used by the Workers' Compensation Board to establish, approve and monitor its budget and determine whether improvements are needed. The commission shall determine whether recommendations regarding the budget process contained in the 1997 Coopers and Lybrand report and the 2001 Berry, Dunn, McNeil and Parker report have been implemented and, if not, whether and how they should be implemented.

5. Report. The commission shall report its findings and recommendations, along with any recommended legislation, to the Joint Standing Committee on Labor not later than December 3, 2003. The Joint Standing Committee on Labor is authorized to submit legislation to the Second Regular Session of the 121st Legislature in response to the report.

6. Expenses and per diem. Commission members who are Legislators are entitled to receive legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses related to their attendance at meetings of the commission. Commission members who are members of the Workers' Compensation Board are entitled to per diem and expenses as provided in Title 39-A, section 151, subsection 6. The Workers' Compensation Board shall transfer sufficient funds from its reserve fund to the Legislature to cover the costs of legislative per diem and expenses for commission meetings.

7. Staff. The Workers' Compensation Board shall provide staffing to the commission. Upon approval by the Legislative Council, the Office of Policy and Legal Analysis and the Office of Fiscal and Program Review shall also provide staff assistance to the commission.

8. Extension. If the commission requires a limited extension of time to complete its study and make its report, it may apply to the Legislative Council, which may grant an extension.

9. Commission budget. The chairs of the commission, with assistance from the commission staff, shall administer the commission's budget. Within 10 days after its first meeting, the commission shall present a work plan and proposed budget to the Legislative Council for its approval. The commission may not incur expenses that would result in the commission's exceeding its approved budget. Upon request from the commission, the Executive Director of the Legislative Council shall promptly provide the commission chairs and staff with a status report on the commission budget, expenditures incurred and paid and available funds.

Sec. 4. Appropriations and allocations. The following appropriations and allocations are made.

WORKERS' COMPENSATION BOARD

Administration - Workers' Compensation Board 0183

Initiative: Allocates funds for the board to contract with the Department of Labor for programming services to implement electronic filing by insurers and self-insurers.

Other Special Revenue Funds2003-042004-05 All Other$40,000$40,000

Other Special Revenue Funds Total	$40,000	$40,000

Administration - Workers' Compensation Board 0183

Initiative: Provides for increased revenue allocation, restoration of positions and All Other costs for the central office, dispute resolution and the worker advocate programs to continue program operations. It also restores fiscal year 2004-05 funding for the law clerk at the administrative office of the courts.

Other Special Revenue Funds	**2003-04**	**2004-05**
Positions - Legislative Count	(23.000)	(24.000)
Personal Services	$1,363,043	$1,431,589
All Other	242,711	247,794
Other Special Revenue Funds Total	$1,605,754	$1,679,383

Administration - Workers' Compensation Board 0183

Initiative: Allocates funds for Department of Labor programming services.

Other Special Revenue Funds	**2003-04**	**2004-05**
All Other	$70,000	$70,000
Other Special Revenue Funds Total	$70,000	$70,000

Administration - Workers' Compensation Board 0183

Initiative: Provides for the reduction in All Other funds for the purpose of staying within the assessment level recommended by the board.

Other Special Revenue Funds	**2003-04**	**2004-05**
All Other	($20,004)	($25,413)
Other Special Revenue Funds Total	($20,004)	($25,413)

Administration - Workers' Compensation Board 0183

Initiative: Provides for the elimination of one Hearing Officer position for the purpose of staying within recommended available resources.

Other Special Revenue Funds	2003-04	2004-05
Positions - Legislative Count	(-1.000)	(-1.000)
Personal Services	($140,512)	($140,244)
Other Special Revenue Funds Total	($140,512)	($140,244)

Administration - Workers' Compensation Board 0183

Initiative: Allocates funds to contract for temporary worker advocate and clerical support services and associated overtime for the Worker Advocate Program offices in Portland and Augusta. Recent changes by the Bureau of Accounts and Controls prohibit the encumbering of a contract in fiscal year 2002-03 for services to be provided in fiscal year 2003-04. Funding is available for these expenditures in fiscal year 2003-04 from the unexpended cash in fiscal year 2002-03.

Other Special Revenue Funds	2003-04	2004-05
Personal Services	$30,000	$0
All Other	140,000	0
Other Special Revenue Funds Total	$170,000	$0

WORKERS' COMPENSATION BOARD DEPARTMENT TOTALS	2003-04	2004-05
OTHER SPECIAL REVENUE FUNDS	**$1,725,238**	**$1,623,726**
DEPARTMENT TOTAL - ALL FUNDS	**$1,725,238**	**$1,623,726**

LEGISLATURE

Commission to Review the Budget Process of the Workers' Compensation Board

Initiative: Allocates funds to reflect the reimbursement to be received from the Workers' Compensation Board reserve fund to cover the costs of legislative per diem and expenses.

Other Special Revenue Funds	2003-04	2004-05
Personal Services	$880	$0
All Other	830	0

Other Special Revenue Funds Total	$1,710	$0
LEGISLATURE	**2003-04**	**2004-05**
OTHER SPECIAL REVENUE FUNDS	**$1,710**	**$0**
DEPARTMENT TOTAL - ALL FUNDS	**$1,710**	**$0**
SECTION TOTALS	**2003-04**	**2004-05**
OTHER SPECIAL REVENUE FUNDS	**$1,726,948**	**$1,623,726**
SECTION TOTAL - ALL FUNDS	**$1,726,948**	**$1,623,726**

Emergency clause. In view of the emergency cited in the preamble, this Act takes effect July 1, 2003.

APPENDIX B

Membership list
COMMISSION TO REVIEW THE BUDGET PROCESS OF THE WORKERS' COMPENSATION BOARD

COMMISSION TO REVIEW THE BUDGET PROCESS OF THE WORKERS' COMPENSATION BOARD

PL 2003, Ch 425

As Of Tuesday, August 12, 2003

Appointment(s) by the President

Sen. Betheda G. Edmonds **Chair**
122 Hunter Road
Freeport, ME. 04032
(207)-865-3869

Sen. Kenneth Blais
107 Pine Tree Road
Litchfield, ME 04350

Appointment(s) by the Speaker

Rep. William J. Smith **Chair**
P.O. Box 7
Van Buren, ME. 04785
(207)-868-3418

Rep. Russell P. Treadwell
Damascus Road
RR 2 Box 1570
Carmel, ME 04419
(207)-848-5123

Workers Comp Board

John Cooney — Representing Management Members
12 Baxter Lane
Brunswick, ME 04011

Anthony Monfiletto — Representing Labor Members
121 Deepwood Drive
Portland, ME 04103

Staff: Deb Friedman, OPLA, 287-1670

APPENDIX C

Budget Process Recommendations from the Berry Dunn McNeil and Parker Report; Workers' Compensation Board Report on Implementation of Recommendations

State of Maine
Department of Administrative and Financial Services

Workers' Compensation Board Governance Study

December 15, 2001

BERRY. DUNN. MCNEIL & PARKER

B D M P

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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12. Fiscal accountability at the WCB Board of Directors' level should be improved.

Issue: WCB Board of Directors lack direction with regard to their roles and responsibilities. Fiscal reports reviewed by board members are not sufficient to enable board members to evaluate management or overall WCB fiscal performance. Management is not held accountable for budget shortfalls.

Recommendation: Accountability at the WCB Board of Directors level should be improved. Duties and responsibilities of WCB Board of Directors should be defined through formal policies to guide their actions. Financial reporting to the WCB Board of Directors should be improved by

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increasing the level of financial detail evaluated by board members and the frequency at which the detail is monitored.

Implementation: Short-term
Responsibility: Management and Board

13. A formal policy regarding the use and maintenance of accumulated reserves should be developed. Legislation should be submitted to memorialize that policy in statute.

Issue: Assessments received above the Board's allocated budget and with a 10% margin must be used to create a reserve. The WCB desires to use the accumulated reserve funds to cover budget shortfalls. Clarity surrounding the appropriate use of board reserves appears to be missing within the current statute.

Recommendation: A reserve is important and enables the WCB to maintain a prudent level of financial resources and protect against reducing service levels or reallocating resources due to temporary budget shortfalls. A formal policy for the creation, use, and maintenance of accumulated reserves should be developed and enacted into Legislation.

Implementation: Short-term
Responsibility: Board and Legislature

14. A more predictable revenue model should be developed and implemented.

Issue: Projection of the revenue stream has not been adequate. Revenues continually change because the method used to predict revenues is unreliable. This has resulted in significant differences between initial budgeted revenue and actual revenue.

Recommendation: The WCB should formulate and implement a new revenue model. Use indemnity claims paid as a basis for determining assessments levied on employers and self-insured employers. This will enhance the predictability of the revenue stream. This model should be documented in a manual to promote a better understanding of the revenue determination process.

Implementation: Long-term
Responsibility: Board and Management

15. An in-depth understanding of revenue should be maintained by the WCB Board of Directors.

Issue: Excess assessments have been accruing and do not appear to be returned to employers in accordance with the Statute.

Recommendation: The WCB Board of Directors needs to gain and maintain an in-depth understanding of its revenue model. For example, training on this topic could be part of a new

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board member orientation process. WCB Board of Directors should monitor the accumulation of excess assessment revenue collected to ensure the Board is in compliance with the Statute.

Implementation: Long-term
Responsibility: Board

16. A balanced budget should be developed.

Issue: The WCB is not operating within a balanced budget. A balanced budget is a basic budgetary constraint intended to ensure the WCB does not spend beyond the maximum assessment.

Recommendation: Biennial budgets submitted to the Bureau of Budget should not exceed the maximum assessment levied per Subsection 154 of the Statute. WCB should operate within a balanced budget. Management should monitor budget-to-actual performance monthly. Compliance with the budget policy should be reviewed periodically and during the budget process.

Implementation: Short-term
Responsibility: Board and Management

17. Program expenditures, over time, should be evaluated.

Issue: Budgeted expenditures within discretionary areas have been reallocated to cover budget shortfalls in the Monitoring, Audit and Enforcement and Worker Advocate Programs. Budgeted expenditures for these two programs appear to be based upon high-level estimates and have not been predictable. Without performing adequate program expenditure analysis regularly, decisions regarding additional revenue needs will not be substantiated.

Recommendation: Program expenditures need to be monitored and evaluated as to how they change over time. This will help identify recurring and non-recurring costs, best enable management to control program costs in an ongoing and proactive manner, and substantiate decisions that will require additional funding for WCB or changes to imposed funding limits.

Implementation: Short-term
Responsibility: Board and Management

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3.5 Budgeting Roles and Responsibilities

Findings	Analysis	Conclusions
The board does not appear to hold management accountable for budget shortfalls.	Effective board policies provide direction for the WCB Board of Directors. Without a written policy, duties and responsibilities of board members are not defined, communicated, or discharged.	Duties and responsibilities of WCB Board of Directors should be defined through formal policies to guide their actions. Recommendation 12
	The WCB Board of Directors should be responsible for establishing performance standards for the ED and the Deputy Directors. Without such standards, the WCB Board of Directors cannot adequately assess management's performance.	Financial performance standards for the ED and management team members should be developed and implemented by the WCB Board of Directors to enhance accountability of management and to serve as a tool to assess management and the agency's performance in comparison to the budget. Recommendation 12

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Findings	Analysis	Conclusions
Summary year-to-date, monthly, and quarterly budget-to-actual performance reports are generated by the Deputy Director of Business Services, but are not reviewed by the WCB Board of Directors. Fiscal reports reviewed by board members consist of a high level summary as opposed to a detailed budget analysis.	WCB Board of Directors have general supervision over the administration of the statute and responsibility for the efficient and effective management of the WCB and its employees. General supervision necessitates that WCB Board of Directors become involved to ensure that issues are thoroughly analyzed before corrective actions are approved, and to see that these actions are implemented by the ED. Without sufficient usable fiscal information, WCB Board of Directors are not equipped to evaluate management or overall board performance.	A formal board policy should be developed and implemented that reflects the mission of the WCB. WCB Board of Directors should receive orientation and training in responsibilities and policies. Recommendation 12
	Monitoring the WCB operations and performance on a regular basis is implicit in the duty of reasonably supervising WCB management and employees. Generally, monitoring should occur through management reporting at regular board meetings.	The WCB should evaluate its financial performance relative to the budget on a monthly, quarterly, and yearly basis to supervise the administration of the statute, increase accountability of management, and monitor changes in operations as they occur. By increasing the level of detail evaluated as well as the frequency, board decisions relative to financial performance will be more timely and appropriate. Recommendation 12
Budget information made available to the WCB Board of Directors does not enable them to adequately monitor board performance.	Best practices suggest that key fiscal data presented should emphasize performance accompanied by summary comments. Key fiscal data will enable the WCB Board of Directors to easily compare WCB performance against its fiscal goals.	Each month, the WCB Board of Directors should review the budget. Budget performance reports should be concise, accurate, and timely. Budget reports should help directors assess the financial condition of the WCB and identify adverse trends. Financial data for board review should include comparisons of the prior period's actual results-to-current period budget. Budget-to-actual performance results and variances should be reported and explained by the ED, including corrective actions that are required. Recommendation 12
WCB Board of Directors do not appear to monitor their own expenditures in comparison to the budget.	Without accountability, WCB Board of Directors do not appear to meet their implicit duty of responsibility for the efficient and effective management of the WCB and its employees.	WCB Board of Directors should lead by example. Recommendation 12

3.6 Budget Process

Findings	Analysis	Conclusions
Biennial budgets submitted to the Bureau of Budget have exceeded the maximum assessment levied per Subsection 154.6 of the statute. The budgets submitted take into consideration investment income, fees, and other miscellaneous revenues. The board does not currently budget for annual contractual personnel increases. The Bureau of Budget has experienced untimely budget information in the form of additional Financial Orders from the board.	A balanced budget is a basic budgetary constraint intended to ensure the WCB does not spend beyond the maximum assessment.	The WCB should develop a written budget policy. This policy should define a balanced operating budget, commitment to budget, and provide for disclosure when a deviation from a balanced budget occurs. Compliance with the policy should be reviewed periodically and disclosed during the budget process. Recommendation 16
The WCB Board of Directors believes the accumulated board reserves are available to them to cover increasing expenditures and any potential budget shortfalls. Clarity of the current statute wording regarding the appropriate use of board reserves appears to be subject to interpretation.	A formal policy developed to guide the creation, maintenance, and use of accumulated reserves will enable the WCB to maintain a prudent level of financial resources to protect against reduced service levels or reallocating resources because of temporary budget shortfalls.	A policy for the creation, use, and maintenance of accumulated reserves should be established and the purpose for which they may be used should be identified. Legislation should be submitted to memorialize that policy in statute. Development of maximum and minimum accumulated reserve amounts may be advisable. Recommendation 13
Budgets for the MAE and WA programs consist of high level estimates, which are not quantifiable. This has resulted in budget shortfalls and the need to re-allocate expenditures. A detailed expenditure analysis of both programs appears not to have been undertaken. Board members, the ED, and the Deputy Director believe the reserve account is available to cover these shortfalls.	Expenditure analysis and projections provide critical information to WCB Board of Directors and stakeholders about whether projected expenditure levels can be sustained, and whether a program's current and future costs are acceptable as compared to benefits and future revenues. Without performing adequate expenditure analysis, decisions regarding future program revenue and overall board revenue needs will not be substantiated.	Expenditure projections should be developed and prepared on a multi-year basis for each program. Costs need to be evaluated on how they change over time, to isolate non-recurring costs or savings, and to understand the implications of all costs once the program is implemented. Expenditure estimates should identify service level assumptions and key issues that may affect actual expenditures. Projections should be made available to stakeholders and WCB Board of Directors prior to making budget decisions. Recommendation 17

3.7 Revenue Stream

Findings	Analysis	Conclusions
Revenues continually change for prior fiscal years, which has resulted in significant differences between initial budgeted revenue and actual surcharge revenue received. Predictability of the final revenue amount for any given fiscal year has not been accurate.	State research conducted indicates that assessments for similar state boards or workers' compensation administrative programs are based upon indemnity claims paid in the prior year. The amount assessed employers and self-insured employers in the current year is a function of total indemnity claims paid in the prior year rather than using a percentage of estimated premiums. For each state that utilized this formula, the revenue stream was found to be predictable.	The WCB should formulate a revenue model for assessment determination, projection, and budgeting that incorporates indemnity claims paid as an assessment base for both employers and self-insured employers. Indemnity claims paid by insurance companies is a determinable amount, which would not be subject to future adjustment, unlike premium audit adjustments. Assessments based upon indemnity claims paid would enhance the predictability of the forecasted revenue for a given fiscal year. This model should be documented in a manual to promote a better understanding of the revenue determination process. By enhancing the predictability of the estimated revenues, stakeholders will have increased confidence in overall revenue projections. Recommendation 15
Excess assessments revenue has accumulated and resulted in the corresponding significant reduction in an assessment rate in recent fiscal years. Excess assessments for fiscal year 1997 appeared not to be returned to employers of the State of Maine until fiscal year 1999 and into 2000.	Assessments collected above the allowed reserve must be used to reduce the assessment for the following fiscal year.	The accumulation of revenues collected above the WCB's allowed reserve for a given fiscal year must be monitored by WCB Board of Directors and management in order to ensure the WCB is in compliance with provisions of the Act. Analyzing forecasted revenue variances should be performed by WCB Board of Directors and management on a regular basis to enable the WCB to improve projections for the future. Recommendation 15
The reduction of fiscal year 1999, 2000, 2001, and 2002 assessments by $250,000, $1,500,000, $1,735,000, and $2,000,000 is not quantifiable. The basis for the reduction in the assessments is an estimate and appears to exceed excess assessments received from prior fiscal years.	Without WCB Board of Directors maintaining a full understanding of the revenue projection process and the inherent variability in the projection of revenues, issues may not be uncovered in a timely manner. This can impede WCB Board of Directors from developing options and taking actions in an effective manner.	WCB Board of Directors and management should maintain an in-depth understanding of board revenue. An analysis of revenue projection and variances will increase the WCB Board of Directors' ability to predict changes which will be less disruptive to the fiscal budget going forward. Recommendation 15

Findings	Analysis	Conclusions
The breakdown of total excess assessments revenue received and the total board accumulated reserve dollars is not easily identifiable.	Documentation surrounding assessments received for any given fiscal year used to create a reserve and amounts above the reserve are important to the administration function of the WCB and the overall predictability of revenue projections.	Develop and maintain a revenue manual that documents revenue sources and factors relevant to present and future revenue sources. The document will promote a better understanding of resources and will assist with the administration of the budget process. Recommendation 15

3.8 Expenditures

Findings	Analysis	Conclusions
Budgeted expenditures have been re-allocated amongst individual line items within discretionary budget areas to cover shortfalls in the MAE and WA programs. As a result, additional Financial Orders for previously budgeted expenditures have been requested of the Bureau of Budget.	WCB Board of Directors and management should periodically evaluate the performance of the programs and services the board provides. Programs and activities should be reviewed to determine whether they are accomplishing intended program goals and making efficient use of resources. A performance evaluation provides both accountability and information on which to base improvements. Program performance information should be available during the budget process.	Performance measures, including efficiency and effectiveness measures, should be presented in basic budget materials. Measures should document progress toward achievement of goals and objectives. Recommendation 10
Board expenditures paid include costs associated with a law clerk position which does not appear to be a WCB position. Expenditures for this position have not been allowed to be built into the Biennial budget at the State level.	Budgetary results should be analyzed by the WCB Board of Directors on a monthly, quarterly, and yearly basis to monitor expenditure results and make appropriate planning decisions.	WCB Board of Directors should regularly monitor detailed expenditures. This provides an early warning of potential problems and enables the WCB Board of Directors to take action in a timely manner. Recommendation 17

BERRY, DUNN MCNEIL & PARKER MATRIX

RECOMMENDATION	IMPLEMENTATION	FUTURE PLANS
12. Fiscal accountability at the WCB Board of Directors should be improved.	The Board has implemented cost center budgeting. The Board will be responsible for setting and monitoring the budget on a policy level. Individual managers will be responsible for budget and performance in individual cost centers.	The Board will monitor the implementation of cost center budgeting.
	The Board will receive monthly reports showing the amount of money that was allocated and the amount that was spent.	Variances will be identified and explained.
13. A formal policy regarding the use and maintenance of the accumulated reserves should be developed. Legislation should be submitted to memorialize that policy in statute.	The Board proposed L.D. 9 to clarify the use of reserves. L.D. 9 was ultimately enacted as P.L. Ch. 93.	Use of reserves has been clarified.
14. A more predictable revenue model should be developed and implemented.	The Board is considering statutory amendments that would require insurers as well as self-insurers to be assessed a dollar amount.	The Board will obtain more input regarding this recommendation.
15. An in-depth understanding of revenue should be maintained by the WCB Board of Directors.	The Board currently receives a monthly report showing revenue received on a monthly and year-to-date basis.	The Board will continue to receive monthly reports concerning revenue.
	The Board tracks revenues and forecasts collections when calculating the assessment.	The Board will continue to track revenue and forecast collections to determine if a surplus exists when calculating the assessment.
16. A balanced budget should be developed.	The Board has always submitted balanced budgets. Requests that exceed anticipated revenue are always accompanied by a proposal to generate the	The Board will continue to submit balanced budgets.

	necessary revenue.	
17. Program expenditures, over time, should be evaluated.	The Board receives monthly reports from managers relating to performance of the various units.	Managers will continue to report to the Board on a monthly basis.
	The Board has continually monitored the workload of the Worker Advocates as it relates to the Standard Operating Procedures (SOPs) for dispute resolution. Resources have been shifted to the Worker Advocate program to ensure that the dispute resolution SOPs can be met while still providing quality representation for injured workers.	The Board will continue to monitor the activity of the Worker Advocates, the MAE program as well as the other cost centers.

Prepared by the Maine Workers' Compensation Board
September 2003

APPENDIX D

Outline of the Process for Developing the Workers' Compensation Board Budget

OUTLINE OF WCB BUDGET PROCESS

To illustrate the Board's budget process, the following outline uses the FY 2004-2005 biennial budget as an example.

I. Projected Expenditures.

The Board began the biennial budget process during the summer of 2002, one year before the beginning of the FY 2004-2005 biennium.

The first step was for the Board's Budget Subcommittee (the "Subcommittee") to review the projected personal services cost information received from the Bureau of the Budget. Personal services expenditures make up approximately 80% of the Board's expenditures.

The Subcommittee then reviewed the projected All Other expenditures for the coming biennium. The budget instructions permit Other Special Revenue Fund Agencies, such as the Board, to build in an inflation factor determined by the Revenue Forecasting Committee. Typically, this number is around 2% to 3%. In building its All Other budget, the Board tries to reduce All Other expenditures where possible, and to flat fund otherwise. The Board does not simply build in the inflation adjustment.

II. Projected Revenue.

Next, the Subcommittee determined its total anticipated revenue for the coming biennium. Total anticipated revenue consists of the assessment, income from interest, fines and penalties and miscellaneous income from the sale of publications, copying charges, etc.

III. Compare Projected Expenditures With Projected Revenues.

The Subcommittee compared its projected expenditures and revenues. For the FY 2004-2005 biennium, expenditures were projected to exceed revenues by approximately $1,300,000. The Subcommittee determined that it could not further reduce its All Other expenditures and still pay rent, utilities, etc. The Subcommittee agreed that it could cut its personal services expenditures by $135,000 without having too great an impact on the provision of services.

Revenues were still going to be inadequate so the Subcommittee agreed, as part of its budget submission, to propose legislation to raise the assessment cap by approximately $1,400,000.

IV. Presentation of Budget to Full Board.

The Subcommittee presented its recommendations to the full Board in August of 2002. The full Board accepted the Subcommittee's recommendations and instructed the

Board's Budget Officer to submit the approved budget to the Bureau of the Budget by September 1, 2002, as required.

V. Last Minute Changes.

At the end of August, the Board was informed by the Bureau of the Budget that costs associated with retiree health had increased statewide. This amounted to an additional expenditure of $300,000 for the Board. The Subcommittee reconvened to address this additional expense. In order to meet this obligation, the Subcommittee recommended, and the full Board approved, a plan to cut personal services by an additional $150,000 and to increase the assessment cap by an additional $150,000.

VI. Spending Authority.

Ultimately, the Part I budget and L.D. 35 were enacted. Together, they increased the assessment cap and authorized the Board to spend approximately $8,900,000 in FY 2004.

VII. Assessment.

The Board calculated and issued its assessment as detailed in the attached calculation sheets. (n.b. – The Board normally determines and issues the assessment by May 1. The process was delayed this year to avoid having to issue two assessments.)

Prepared by the Maine Workers' Compensation Board
September 2003

APPENDIX E

Example of Cost Center Accounting

PROJECTED ALLOTMENTS, REVISIONS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - 0183

2.8% Attrition Rate

	C & O	2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
Personal Services		5,891,940	6,181,440	6,625,453	6,427,728	1,658,318	1,658,318	1,704,823	1,704,822	1,567,737	1,507,297	1,694,575	1,557,290
Savings/Shortfall (after allotments and revisions)				197,725			0		1		60,440		137,285
All Other													
Prof Serv by State	4000	68,133	193,465	363,441	275,021	112,373	47,861	33,421	82,158	25,821	83,599	191,826	61,403
Prof Serv not by state	4100	1,255	1,459	4,879	3,107	1,167	360	1,202	1,507	1,325	740	1,185	500
In state travel	4200	57,900	69,743	65,989	62,387	17,911	17,506	17,182	13,998	16,259	13,652	14,638	17,232
Out state travel	4300	15,427	8,055	9,018	4,281	0	0	4,871	133	3,044	3,044	1,104	1,104
Utilities	4500	19,158	19,212	15,181	17,971	3,799	4,534	3,794	4,462	3,794	5,077	3,794	3,897
Rents	4600	302,270	321,170	327,813	339,749	80,930	79,539	82,320	86,419	82,718	86,906	81,845	86,885
Repairs	4700	11,036	10,772	11,927	9,994	1,399	1,717	1,425	1,507	5,091	2,528	4,012	4,243
Insurance	4800	8,446	9,877	10,255	8,815	7,122	6,724	1,837	697	1,296	730	0	664
General Office	4900	256,853	243,498	268,954	273,560	76,900	62,366	67,576	79,135	66,882	74,988	57,596	57,071
Commodities	5200	2,990	2,131	3,068	0	200	0	400	0	1,868	0	600	0
Technology	5300	277,781	358,116	635,330	530,883	159,900	92,084	160,400	94,946	157,760	220,212	157,269	123,642
Minor Equipment	5500		21,204										0
Supplies	5600	92,160	72,978	71,430	90,820	17,020	21,494	13,090	16,190	29,657	33,333	11,664	19,803
	6900	11,184	0	0	0		0	0	0	0	0	0	0
Sta Cap	8511	100,582	128,836	143,697	202,882	38,659	50,273	34,224	52,583	34,583	51,257	36,230	48,768
Total AO		1,225,175	1,460,516	1,924,904	1,819,470	517,380	384,458	421,742	433,735	430,098	576,066	561,763	425,211
Actual Quarterly Reserves after allotments and revisions				248,461		81		10,189		57,245		180,967	**
Capital			14,847	115,000	114,955	25,000	14,955	90,000	100,000	0	0	0	0
Total Expenditures		7,117,115	7,656,803	8,665,357	8,362,153	2,200,698	2,057,731	2,216,565	2,238,557	1,997,835	2,083,364	2,256,338	1,982,502
Board Account		54,235	64,897	64,906	44,462	16,215	11,406	16,215	12,090	16,238	9,390	16,238	11,577
Law Court Clerk		63,990	65,887	72,669	72,669		16,790		19,550		16,790		19,539
Total		7,235,340	7,787,587	8,802,932	8,479,284								

WA Ch 126 added $200,000
$30,000 for overtime and $170,000 for a new clerical/paralegal contract to be established in the fourth quarter
**Funds originally allotted during FY 03 for the FY 04 contract were carried for encumbrance during FY 04 per Ch 425
MAE Ch 712 added one position $60,000 P/S and $5,000 all other

Admin Ch 712 added $70,000 for actuarial study

Ch 692 Added one HO position $110,561 P/S and $14,439 all other
Personal Services Shortfall FY 03 $109,150

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS
*Personal Services Allotment on the cover sheet represents the amount allotted by quarter for payroll costs. This includes all allotments and revisions.
The amounts shown on the cost center breakdown represents the actual amount needed to fund all positions in that cost center.
$30,000 added for WA overtime
$55,818 ws transferred to the General Fund from salary savings for shutdown days
Attached are copies of the allotment inquiry screens from MFASIS

PROJECTED ALLOTMENTS, REVISIONS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - 0183

2.8% Attrition Rate

	C & O	2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
Personal Services		5,891,940	6,181,440	6,625,453	6,427,728	1,658,318	1,658,318	1,704,823	1,704,822	1,567,737	1,507,297	1,694,575	1,557,290
Savings/Shortfall (after allotments and revisions)				197,725			0		1		60,440		137,285
All Other													
Prof Serv by State	4000	68,133	193,465	363,441	275,021	112,373	47,861	33,421	82,158	25,821	83,599	191,826	61,403
Prof Serv not by state	4100	1,255	1,459	4,879	3,107	1,167	360	1,202	1,507	1,325	740	1,185	500
In state travel	4200	57,900	69,743	65,989	62,387	17,911	17,506	17,182	13,998	16,259	13,652	14,638	17,232
Out state travel	4300	15,427	8,055	9,018	4,281	0	0	4,871	133	3,044	3,044	1,104	1,104
Utilities	4500	19,158	19,212	15,181	17,971	3,799	4,534	3,794	4,462	3,794	5,077	3,794	3,897
Rents	4600	302,270	321,170	327,813	339,749	80,930	79,539	82,320	86,419	82,718	86,906	81,845	86,885
Repairs	4700	11,036	10,772	11,927	9,994	1,399	1,717	1,425	1,507	5,091	2,528	4,012	4,243
Insurance	4800	8,446	9,877	10,255	8,815	7,122	6,724	1,837	697	1,296	730	0	664
General Office	4900	256,853	243,498	268,954	273,560	76,900	62,366	67,576	79,135	66,882	74,988	57,596	57,071
Commodities	5200	2,990	2,131	3,068	0	200	0	400	0	1,868	0	600	0
Technology	5300	277,781	358,116	635,330	530,883	159,900	92,084	160,400	94,946	157,760	220,212	157,269	123,642
Minor Equipment	5500		21,204										0
Supplies	5600	92,160	72,978	71,430	90,820	17,020	21,494	13,090	16,190	29,657	33,333	11,664	19,803
	6900	11,184	0	0	0		0	0	0	0	0	0	0
Sta Cap	8511	100,582	128,836	143,697	202,882	38,659	50,273	34,224	52,583	34,583	51,257	36,230	48,768
Total AO		1,225,175	1,460,516	1,924,904	1,819,470	517,380	384,458	421,742	433,735	430,098	576,066	561,763	425,211
Actual Quarterly Reserves after allotments and revisions				248,481		81		10,189		57,245		180,967	**
Capital			14,847	115,000	114,955	25,000	14,955	90,000	100,000	0	0	0	0
Total Expenditures		7,117,115	7,656,803	8,665,357	8,362,153	2,200,698	2,057,731	2,216,565	2,238,557	1,997,835	2,083,364	2,256,338	1,982,502
Board Account		54,235	64,897	64,906	44,462	16,215	11,406	16,215	12,090	16,238	9,390	16,238	11,577
Law Court Clerk		63,990	65,887	72,669	72,669		16,790		19,550		16,790		19,539
Total		7,235,340	7,787,587	8,802,932	8,479,284								

WA Ch 126 added $200,000
$30,000 for overtime and $170,000 for a new clerical/paralegal contract to be established in the fourth quarter
**Funds originally allotted during FY 03 for the FY 04 contract were carried for encumbrance during FY 04 per Ch 425
MAE Ch 712 added one position $60,000 P/S and $5,000 all other

Admin Ch 712 added $70,000 for actuarial study

Ch 692 Added one HO position $110,561 P/S and $14,439 all other
Personal Services Shortfall FY 03 $109,150

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS
*Personal Services Allotment on the cover sheet represents the amount allotted by quarter for payroll costs. This includes all allotments and revisions.
The amounts shown on the cost center breakdown represents the actual amount needed to fund all positions in that cost center.
$30,000 added for WA overtime
$55,818 ws transferred to the General Fund from salary savings for shutdown days
Attached are copies of the allotment inquiry screens from MFASIS

PROJECTED ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - Central Office

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services		1,928,599	1,944,434	1,987,835	1,859,327	523,266	484,592	523,595	500,856	469,689	433,554	471,285	440,325
	Savings/Shortfall				128,508			38,674		22,739		36,135		30,960
2001	**Central Office**													
All Other	Prof Serv by State	4000	13,724	26,327	91,214	75,682	65,000	4,975	15,500	37,115	5,500	29,748	5,214	3,844
	Prof Serv not by state	4100	655	324	383	857	75		100	287	75	150	133	420
	In state travel	4200	6,241	7,616	7,844	2,881	1,961	1,399	1,961	516	1,961	298	1,961	668
	Out state travel	4300	6,546		3,026	0			3,026					
	Utilities	4500			0	0								
	Rents	4600	9,851	5,563	5,840	6,675	900	1,131	2,290	1,706	1,750	1,966	900	1,872
	Repairs	4700	5,183	1,568	5,274	3,535	474	611	600	350	2,600	1,821	1,600	753
	Insurance	4800	7,619	8,315	8,681	7,643	6,800	6,649	1,200	345	681	315		334
	General Office	4900	171,619	143,052	177,478	105,876	56,000	23,069	45,000	34,234	40,000	29,598	36,478	18,975
	Commodities	5200			0	0								
	Technology	5300	39,948	29,860	30,216	24,062	7,500	4,735	7,500	5,855	7,500	7,624	7,716	5,848
	Minor Equipment	5500			0	0								
	Supplies	5600	30,778	35,467	33,215	24,185	8,000	4,574	5,215	5,759	15,000	7,530	5,000	6,322
		6900	5,586		0	0								
	Sta Cap	8511	29,111	37,813	39,612	53,207	12,000	13,410	10,000	14,780	10,000	12,928	7,612	12,089
	Total AO		326,861	295,905	402,783	304,603	158,710	60,553	92,392	100,947	85,067	91,978	66,614	51,125
	Savings/Shortfall							98,157		(8,555)		(6,911)		15,489
	Total Expenditures		2,255,460	2,240,339	2,390,618	2,163,930	681,976	545,145	615,987	601,803	554,756	525,532	537,899	491,450

41.5 Positions - All Positions Funded at 100%

Chapter 712 added $70,000 for actuarial study ($30,000 for each Labor and Management in the first quarter and $10,000 for actuarial study in the second quarter)

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS

PROJECTE. ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - Computer Services

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services **			32,203	93,942	95,894	24,878	24,869	24,878	25,753	22,093	22,413	22,093	22,859
	Savings/Shortfall				(1,952)			9		(875)		(320)		(766)
2002	Comp Serv													
All Other	Prof Serv by State	4000	4,800		4,896	0	1,200		1,248		1,248		1,200	
	Prof Serv not by state	4100			0	35				35				
	In state travel	4200	2,239	2,919	1,971	3,734	650	1,140	221	705	625	766	475	1,123
	Out state travel	4300	1,436		0	0								
	Utilities	4500			0	0								
	Rents	4600	113	117	117	150	30	24	30	24	40	24	17	78
	Repairs	4700			0	0								
	Insurance	4800		85	87	0	87							
	General Office	4900	450	1,300	1,326	0			1,326					
	Commodities	5200			0	0								
	Technology	5300	155,490	226,802	508,937	416,349	127,250	55,877	127,250	71,850	127,250	187,863	127,187	100,759
	Minor Equipment	5500		6,735	0	0								
	Supplies	5600		75	20	112	20			4		108		
					0	0								
	Sta Cap	8511	2,088	4,632	12,429	13,021	3,209	2,066	3,220	2,481	3,000	5,326	3,000	3,148
	Total AO		161,816	242,665	529,783	433,401	132,446	59,107	133,295	75,099	132,163	194,087	131,879	105,108
	Savings/Shortfall				96,382			73,339		58,196		(61,924)		26,771
	Total Capital			14,847	115,000	114,955	25,000	14,955	90,000	100,000				
	Savings/Shortfall				45	*		10,045		(10,000)		0		0
	Total Expenditures		**161,816**	**289,715**	**738,725**	**529,295**	**157,324**	**98,931**	**158,173**	**100,852**	**154,256**	**216,500**	**153,972**	**127,967**

1 Positions - All Positions funded at 100%
** FY 2001 and a portion of FY 2002 personal services was paid from Central Services

5300 allotted $126,500 quarterly for computer upgrade
$16,000 one time DOL programming charge added to FY 03. Request reduced to $16,736 - from $116,736
$275,000 added per year for computer leases (includes replacement & maintenance of 120 PC's, software & hardware)
Currently $75,000 built in for WAN and E-mail charges
Includes one-time expenditure of $25,000 to replace DOL?WCB databases
One time $75,000 for a Citrix server
Total Cost (240*120*12 = 345,600)
Added $3,000 from MAE position - MAII

Additional allocation for SLA recommended by the State's Chief Information Officer

* $100,000 transferred to BIS (as a cash transfer rather than expenditure)

PROJECTED ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - Dispute Resolution

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services		2,707,641	2,682,787	2,922,954	2,751,803	769,954	725,443	772,744	731,387	688,312	640,592	691,944	654,381
	Savings/Shortfall				171,151			44,511		41,357		47,720		37,563
	Dispute Resolution													
All Other	Prof Serv by State	4000	10,474	62,428	18,292	26,746	4,573	1,555	4,573	719	4,573	10,726	4,573	13,745
	Prof Serv not by state	4100	260	125	4,014	595	1,000		1,000	225	1,000	295	1,014	75
	In state travel	4200	30,266	32,549	33,648	35,450	8,400	9,655	9,100	7,340	8,100	8,071	8,048	10,384
	Out state travel	4300	3,497	0	1,070	0			1,070					
	Utilities	4500	15,392	16,434	12,285	15,442	3,075	3,864	3,070	3,866	3,070	4,389	3,070	3,325
	Rents	4600	235,571	250,581	253,538	258,861	63,000	61,778	63,000	65,091	63,769	65,918	63,769	66,073
	Repairs	4700	5,169	7,417	5,887	5,421	800	952	700	1,013	2,100	370	2,287	3,087
	Insurance	4800	642	702	740	717	100	75	320	352	320	75		215
	General Office	4900	51,087	58,764	50,040	107,930	12,000	26,901	12,000	27,258	12,500	27,882	13,540	25,890
	Commodities	5200	2,990	2,131	3,068	0	200		400		1,868		600	
	Technology	5300	49,123	48,753	53,729	39,483	13,250	6,950	13,450	10,224	13,550	12,836	13,479	9,473
	Minor Equipment	5500												
	Supplies	5600	37,851	18,904	19,220	51,217	4,000	14,351	4,000	8,972	7,500	18,784	3,720	9,110
		6900	72		0	0								
	Sta Cap	8511	47,200	54,532	55,745	83,088	14,000	21,498	14,000	21,599	13,900	19,922	13,845	20,069
	Total AO		489,594	553,320	511,276	624,949	124,398	147,578	126,683	146,658	132,250	169,268	127,945	161,445
	Savings/Shortfall				(113,673)			(23,180)		(19,975)		(37,018)		(33,500)
	Total Expenditures		**3,197,235**	**3,236,107**	**3,434,230**	**3,376,753**	**894,352**	**873,021**	**899,427**	**878,045**	**820,562**	**809,860**	**819,889**	**815,826**

44.5 Positions - All Positions funded at 100%

Ch 692 Added one HO position $110,561 P/S and $14,439 all other

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS

PROJECTED ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - Worker Advocate Program

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services		1,024,712	1,235,610	1,333,112	1,331,026	353,110	337,037	350,679	350,192	318,019	308,408	311,304	335,390
	Savings/Shortfall				2,086			16,073		487		9,611		(24,086)
2004	**Worker Advocate**													
All Other	Prof Serv by State	4000	33,301.00	95,501	242,339	165,593	40,000	37,831	10,500	44,324	11,000	39,625	180,839	43,813
	Prof Serv not by state	4100	160.00	685	138	515	30	285	40	150	30	75	38	5
	In state travel	4200	15,615.52	23,250	21,156	18,463	6,500	4,775	5,500	4,685	5,500	4,444	3,656	4,559
	Out state travel	4300			0	133				133				
	Utilities	4500	3,766.10	2,778	2,896	2,529	724	671	724	597	724	689	724	573
	Rents	4600	56,734.86	64,909	68,318	74,063	17,000	16,606	17,000	19,597	17,159	18,997	17,159	18,863
	Repairs	4700	684.00	1,787	766	1,038	125	154	125	144	391	337	125	403
	Insurance	4800	185.00	565	607	315	135		317		155	200		115
	General Office	4900	30,841.24	32,645	31,907	48,451	8,000	11,885	8,000	12,905	10,000	13,126	5,907	10,535
	Commodities	5200			0	0								
	Technology	5300	27,160.06	28,283	29,238	45,488	7,100	23,747	7,400	5,900	7,400	9,829	7,338	6,012
	Minor Equipment	5500		4,806										
	Supplies	5600	22,474.77	18,057	14,732	11,665	4,000	2,011	3,700	1,440	4,900	4,654	2,132	3,560
					0	0								
	Sta Cap	8511	18,288.10	25,862	26,204	42,856	7,500	10,971	5,004	11,098	4,700	10,098	9,000	10,689
	Total AO		209,210.65	299,128	438,301	411,109	91,114	108,935	58,310	100,974	61,959	102,074	226,918	99,126
	Savings/Shortfall				27,192			(17,821)		(42,664)		(40,115)		127,792
	Total Expenditures		**1,233,922.63**	**1,534,738**	**1,771,413**	**1,742,135**	**444,224**	**445,972**	**408,989**	**451,165**	**379,978**	**410,482**	**538,222**	***434,516**

24.5 Positions - all positions funded at 100%

WA Ch 126 added $200,000
$30,000 for overtime and $170,000 for a new clerical/paralegal contract to be established in the fourth quarter
* Ch 425 allowed $170,000 in WA unexpended cash reserves to be carried to FY 04 for overtime, $30,000 and clerical contract, $140,000

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS

PROJECTED ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - MAE Program

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services		230,989.73	283,751.00	445,075	389,677	117,102	86,377	118,153	96,634	104,409	102,330	105,411	104,336
	Savings/Shortfall				55,398			30,725		21,519		2,079		1,075
2005	**MAE**													
All Other	Prof Serv by State	4000		6,625.00	6,758	7,000	1,600	3,500	1,600		1,779	3,500	1,779	
	Prof Serv not by state	4100	180.00	325.00	184	1,105	62	75	62	810	60	220		
	In state travel	4200	1,152.20	1,553.00	1,738	1,859	400	537	400	751	469	73	469	498
	Out state travel	4300	3,947.68	8,055.00	1,475	4,147			775		700	3,044		1,104
	Utilities	4500			0	0								
	Rents	4600			0	0								
	Repairs	4700			0	0								
	Insurance	4800		210.00	0	140						140		
	General Office	4900	2,372.27	7,737.00	4,636	11,303	900	511	1,250	4,739	1,250	4,382	1,236	1,671
	Commodities	5200			0	0								
	Technology	5300	6,079.22	24,418.00	19,257	5,502	4,800	775	4,800	1,118	4,800	2,060	4,857	1,549
	Minor Equipment	5500		9,663.00								293		
	Supplies	5600	1,000.43	438.00	1,515	3,642	1,000	558	175	15	175	2,257	165	812
					0	0								
	Sta Cap	8511	3,679.24	5,875.00	7,198	10,710	1,950	2,329	2,000	2,625	1,648	2,983	1,600	2,773
	Total AO		18,411.04	64,899	42,761	45,408	10,712	8,285	11,062	10,057	10,881	18,952	10,106	8,407
	Savings/Shortfall				(2,940)			2,427		1,005		(8,071)		1,699
	Total Expenditures		**249,400.77**	**348,650**	**487,836**	**435,085**	**127,814**	**94,662**	**129,215**	**106,692**	**115,290**	**121,282**	**115,517**	**112,742**

7 Positions - All Positions funded at 100%

CARRIED ENCUMBRANCES ARE NOT BUILT INTO ALLOTMENTS

MAE Ch 712 added one position $60,000 P/S and $5,000 all other
$3,000 to CS for computer (250 per month)

PROJECTED ALLOTMENTS AND ACTUAL EXPENDITURES
FY 2003 - PILOT
Work Program - Board Account - 0751

2.8% Attrition Rate

			2001 Total Expend	FY 2002 Total Expended	FY 03 Allotment	FY 03 Expended YTD	First Quarter Allotment	First Quarter Expended	Second Quarter Allotment	Second Quarter Expended	Third Quarter Allotment	Third Quarter Expended	Fourth Quarter Allotment	Fourth Quarter Expended
	Personal Services		30,000.00	40,000.00	40,000	25,900	10,000	5,800	10,000	7,400	10,000	5,600	10,000	7,100
	Savings/Shortfall				14,100			4,200		2,600		4,400		2,900
0751	**Board Account**													
All Other	Prof Serv by State	4000		118.45	0	446		32		193		222		
	Prof Serv not by state	4100			0	0								
	In state travel	4200	864.00	1,224.00	500	1,744	125	1,744	125		125		125	
	Out state travel	4300			0	0								
	Utilities	4500			0	0								
	Rents	4600			1,200	0	300		300		300		300	
	Repairs	4700			0	0								
	Insurance	4800			0	0								
	General Office	4900	22,069.84	21,418.71	20,500	14,340	5,125	3,475	5,125	3,921	5,125	2,977	5,125	3,968
	Commodities	5200			0	0								
	Technology	5300	405.79	884.26	1,450	825	360	76	360	235	365	290	365	224
	Minor Equipment	5500			0	0								
	Supplies	5600	147.03	182.12	350	113	80		80	43	95	70	95	
					0	0								
	Sta Cap	8511	748.59	1,069.82	906	1,094	225	281	225	297	228	231	228	285
	Total AO		24,235.25	24,897	24,906	18,562	6,215	5,606	6,215	4,690	6,238	3,790	6,238	4,477
	Savings/Shortfall				**6,344**			**609**		**1,525**		**2,448**		**1,761**
	Total Expenditures		**54,235.25**	**64,897**	**64,906**	**44,462**	**16,215**	**11,406**	**16,215**	**12,090**	**16,238**	**9,390**	**16,238**	**11,577**
	Paid from Admin Fund		8,084.00	1,898.00										

APPENDIX F

History of Board Assessments and Expenditures

Summary of Assessments and Expenditures
Workers Compensation Board Administrative Fund

	FY98	FY99	FY00	FY01	FY02	FY03
Statutory Cap on Assessment	$6,600,000	$6,600,000	$6,735,000	$6,735,000	$7,035,000	$6,860,000
Assessment Billed	$6,600,000	$6,350,000	$5,100,000	$5,000,000	$4,735,000	$5,640,000
Assessment Received	$8,068,110	$6,704,416	$6,371,085	$6,462,485	$5,311,000 YTD	$4,356,011 YTD
Budget Allocation	$6,060,687	$6,855,515	$6,827,879	$6,999,165	$8,094,777	$8,691,175
Actual Expenditure	$6,244,676	$6,799,166	$6,926,392	$7,117,125	$7,808,144	$5,559,846 YTD
Excess of Receipts over Amount Billed	$1,468,110	$354,416	$1,271,085	$1,462,485	$576,900	
Amount Allocated to Reserve	$660,000	$354,416	85,584	____		
Amount Returned to Employers (returned by reducing the total assessment)	$___	$250,000	$1,500,000	$1,735,000	$2,000,000	$1,220,000

Note: FY98 = July 1, 1997 to June 30, 1998

Prepared by the Office of Policy and Legal Analysis, March 3, 2003
Source: Berry Dunn McNeil and Parker study report, 2001 and Workers' Compensation Board Staff

APPENDIX G

Funding and Assessment Methods of Other States

SUMMARY of FUNDING MECHANISMS for
STATE WORKERS' COMPENSATION REGULATORY AGENCIES

Except as otherwise specified, most states fund the operating cost of their workers' compensation agencies through an assessment or a tax on both insurers and self-insured employers.

In most cases, the assessment goes directly to the agency, but cannot be spent unless it is allocated by the Legislature and the Governor. In some states, the assessment or tax is deposited directly into the General Fund, and all or a portion of the amount is appropriated to the agency from the General Fund by the Legislature and Governor.

In one state (Maryland), a 12-member Advisory Committee advises the governor on the budget.

State	Source of Funds	Basis for Assessment
ALABAMA	Assessment	Based on compensation paid
ALASKA	User fee	
ARIZONA	Premium tax	
ARKANSAS	Premium tax	
CALIFORNIA	General Fund Plus supplemental funding of system improvements provided by user assessment	Amount appropriated from the General Fund = 1989 funding, adjusted for inflation and work force User assessment is based on expected premium (ins) or indemnity benefits paid (SI)
COLORADO	Premium surcharge (Deposited in General Fund; in 2002, 100% went to WC agency)	
CONNECTICUT	Assessment	Based on Benefits Paid
DELAWARE	Assessment on Insurers Assessment of self-insured (goes to the General Fund)	Based on benefits paid (ins) Based on covered payroll (SI)

FLORIDA	Assessment	Based on net premium collected (ins) or premium that would have been paid (SI)
GEORGIA	Assessment (Deposited in the General Fund)	Based on premiums paid
HAWAII	General Fund	
IDAHO	Premium tax	
ILLINOIS	General Fund	
INDIANA	General Fund Supplemented by fees paid by SI and independent contractors – Directly to agency	
IOWA	General Fund	
KANSAS	Assessment	Based on compensation benefits paid
KENTUCKY	Assessment	Based on premiums
LOUISIANA	Assessment (Deposited in General Fund Dedicated Account)	Based on benefits paid in prior calendar year
MAINE	Assessment divided between insurers and self-insurers on basis of pro rata share of disabling cases attributable to each group	Based on premiums paid (Ins) and Benefits Paid (SI)
MARYLAND	Assessment A 12-member Advisory Committee advises the Governor on the agency's budget	
MASS.	Assessment (plus special trust funds)	
MICHIGAN	General Fund and Assessment of parties	$100 on each party to a redemption case
MINNESOTA	Assessment collected semi-annually	Based on premiums collected (ins) or indemnity benefits paid (SI)
MISS.	Assessment (plus $250 per insurer)	Based on gross claims paid

MISSOURI	Premium tax	
MONTANA	Assessment	Percentage of compensation and medical benefits paid
NEBRASKA	Assessment	1% of premium (ins) or 1.25% of prospective loss costs (SI)
NEW HAMPSHIRE	Assessment	Based on pro rata share of total benefits paid in prior year
NEW JERSEY	Annual Assessment	
NEW MEXICO	Assessment collected by Tax Department (which gets administrative fee). A portion goes to pay off bond for construction of WC office	Quarterly fee of $4 per covered employee (1/2 paid by employee, ½ paid by employer)
NEW YORK	Assessment	In proportion to indemnity benefits paid in fiscal year
NO. CAR.	General Fund	
NO. DAKOTA	Employer premium (ND has an exclusive state fund)	
OHIO	Premiums and assessment (Ohio has exclusive state fund) Administrative assessment on self-insured employers	Based on payroll (employers) Based on benefits paid (self-insurers)
OKLAHOMA	General Fund primarily; also revenue from premium taxes, application fees, etc.	
OREGON	Assessment	Based on direct earned premium (ins) and simulated earned premium (SI)
PENN.	Assessment	
RHODE ISLAND	Assessment	Based on gross premium
So. CAR.	General Fund	

	Premium tax is deposited in General Fund; Comp agency gets about 25% of tax collected	
SO. DAK.	General Fund	
TENN.	General Fund Premium tax goes to General Fund; ½ is used for Second Injury Fund	
TEXAS	Assessment deposited in General Fund	Based on unmodified premium
UTAH	General Fund	Assessment based on premiums
VERMONT	Premium tax	
VIRGINIA	Premium tax	
WASHINGTON	Premium (State Fund?)	
WEST VIRGINIA	Premium (W.Va. has exclusive state fund)	
WISCONSIN	Assessment (Deposited in General Fund; 100% goes to agency)	Based on indemnity benefits paid in prior year
WYOMING	Premium tax (Wy. has exclusive state fund)	

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Prepared by the Office of Policy & Legal Analysis
From Information Provided by the Workers' Compensation Board
September 18, 2003

METHODS of FUNDING WORKERS' COMPENSATION ADMINISTRATIVE AGENCIES, BY STATE

CALIFORNIA
(LABOR CODE §62.5)

Administrative Structure:
Labor & Workforce Development Agency
Department of Industrial Relations
Division of Workers' Compensation

Funding Mechanism: Pursuant to AB 227 (2003 law chapter 635), the Division will be 100% funded by an employer assessment in the future. Prior to passage of that law, the Division was 80% funded by the General Fund; 20% by Employer Assessment.

The employer assessment is determined as follows: the amount needed is allocated between insured and self-insured employers in proportion to payroll in the most recent year available. Among insured employers, the assessment is allocated in proportion to premium. Among self-insured employers, the assessment is allocated on the basis of indemnity benefits paid in the most recent year.

Contact: Bob Wong, Manager of the Information and Assistance Unit, (415) 703-4600. www.leginfo.ca.gov. According to Mr. Wong, it had gotten too difficult to obtain funding from the General Fund. The employer community seemed to be comfortable with shifting to 100% assessment funding, realizing the need for efficient, effective service from the WC Division. Division is generally acknowledged to be under-staffed. Budget of $100 million; 1 million claims annually; 850 employees.

MASSACHUSETTS
(C. 152, §65)

Administrative Structure
Department of Labor and Workforce Development
Division/Department of Industrial Accidents

Funding Mechanism: The Division has 3 sources of revenue: an employer assessment, fines ($100 a day for failure to timely file a First Report) and a referral fee (currently $574 paid by insurers for each case that goes to formal hearing). The Division gets a General Fund appropriation and pays back the General Fund from its revenues.

The assessment rate is determined by dividing the total amount to be raised by the total amount of losses paid in the prior year by that particular category of employers (i.e., private insured, self-insured, group self-insured, public). The assessment rate for insured employers is applied to current manual premium, times an experience modification, and is separately stated on premium notices. The assessment rate for self-insureds is applied to imputed premium times an experience modification factor.

The balance in the fund at the end of the fiscal year in excess of 35% of prior year expenditures must be used to reduce the next year's assessment. The Commission of the Industrial Accident Department/Division may make additional assessments during the year if necessary to gain sufficient revenue – the additional assessment is subject to approval of an advisory council and the Commissioner of the Department of Labor and Workforce Development.

Contact: Joan Endres, Accounting Division, 617-727-4900 x 232. www.state.ma.us/dia. According to Ms. Endres, the Division has not had trouble getting the necessary funds appropriated from the General Fund. The Division maintains up to a 35% reserve fund in case collections are too low. She said she doesn't think the insurers protest the referral fee; it gives incentive to settle at conciliation. The assessment is collected quarterly.

IOWA
(CHAPTER 86)

Administrative Structure
Department of Workforce Development
    Division of Workers' Compensation

Funding Mechanism
General Fund

NEW HAMPSHIRE
(NH STAT. 281-A: 59)

Contact
Kathryn Barger, Director, Division of Workers' Comp
(603) 271-3599

Administrative Structure
Department of Labor
    Division of Workers' Compensation

Funding Mechanism
Assessment of each insurer and self-insured employer on the basis of total workers comp benefits (including medical) paid in the FY ending in the prior calendar year.
Total assessment cannot exceed the amount appropriated for the budget of the Division for the FY in which the assessment is made. The assessment must be reduced by the balance in the fund at the beginning of the new FY.

Kathryn Barger says that they have not had difficulty with assessment collections, and insurers do not appear to have complaints about collections based on prior year's benefits paid. The only problem is when figures about past benefits are incorrect and the assessment amount has to be adjusted. Insurers that stop writing business in NH still have to pay on the basis of benefits payments, unless they are insolvent.

OREGON
(SECTION 656.612, .614)

Administrative Structure
Department of Consumer and Business Services
Workers' Compensation Division

Funding Mechanism
Assessment is collected from insurers on the basis of current direct earned premium and from self-insurers on the basis of direct earned premium that would have been paid had they been insured employers. Division director determines manner and interval for payments.

NEVADA
(SECTION 232.680)

Administrative Structure
Department of Business and Industry
Division of Industrial Relations

Funding Mechanism
Administrator divides the cost of programs among groups of employers (self-insured employers, self-insured groups, insured employers, etc.) who benefit from the program on the basis of expected annual claims expenditures.
Within each group, the administrator determines an assessment rate that:

(a) For insurers: Reflects the relative hazard of the jobs covered by the insurers, results in an equitable distribution of costs, and is based on expected annual premium;

(b) For self-insured employers and self-insured groups: Results in an equitable distribution of costs among self-insured employers and is based on expected annual expenditures for claims. Pursuant to rules adopted by the Administrator, "Expected annual expenditures" are generally calculated as the average of expenditures in prior 3 years.

The administrator adopts rules to implement the law.

MINNESOTA
(MINN. STAT. SECTION 176.129)

Administrative Structure
Department of Labor and Industry
Division of Workers' Compensation

Funding Mechanism
Amount needed is allocated among insureds and self-insured on the basis of paid indemnity losses in the prior calendar year. Among self-insureds, the assessment is allocated based on paid indemnity losses; Among insured employers, assessment is allocated on the basis of premium and collected through a policyholder surcharge
State agencies pay on a separate basis?
Half due by August 1; half by February 1.

WISCONSIN
(WIS. STAT. SECTION 102.75)

Administrative Structure
Department of Workforce Development
Workers' Compensation Division

Funding Mechanism

Funds are provided by insureds and self-insureds in proportion that the total indemnity benefits paid or payable in cases closed in the prior calendar year by that employer bears to the total indemnity benefits paid in cases closed in that calendar year.

Robert Conlin, Senior Staff Attorney for the Wisconsin Legislative Council, (608) 266-2298, says that the assessment and costs of administering the workers' comp system have not been a matter of controversy in recent years.

RHODE ISLAND
(RI STAT. SECTION 28-37-13)

Administrative Structure
Department of Labor and Training

Funding Mechanism
Assessment is 4-1/4% of gross premium paid during the preceding calendar year (insurers) or gross premium that would have been paid by self-insureds in preceding calendar year (or a different amount if certified by the Department). If the assessment rate for the current year is lower than the rate for the prior year, the insurer must reduce the employer's premium payment in a like amount or refund the difference to the employer.

TEXAS

CIVIL STATUTES, SECS. 8306-8309

Administrative Structure
Workers' Compensation Commission 6 members, appointed by the Governor; Staffed by Executive Director and staff

Funding Mechanism
Commission sets an assessment rate taking into account expenses, prior-year surplus or deficit, other revenue sources. Insurers apply the assessment rate to modified annual premium; self-insurers apply the same assessment rate to their "tax base" which equals the sum of liabilities incurred in the prior year and administrative costs in the prior year.

Any deficit in collections is covered by the General Fund; any excess collections go to the General Fund.

VERMONT
(TITLE 21, CHAPTER 9, §601 ET SEQ.)

Administrative Structure
Department of Labor and Industry

Funding Mechanism
The assessment rate applicable to insurers is set annually by the General Assembly (the Legislature). The rate is the budget approved by the General Assembly (in the prior year?) adjusted by the Department's projection for salary and benefits, minus the amount collected in the prior calendar year from self-insureds, adjusted by the surplus/deficit from the prior calendar year, divided by the total direct calendar year premium for the prior year.

(Amounts are currently set at .85% of direct calendar year premium for insureds, and 1% of losses for self-insureds)

Pros and Cons of Various Funding Mechanisms

Some Issues to Consider in Determining How to Fund the Workers' Compensation Board

Practical Issues

- Predictable revenue to the Board
- Sufficient revenue to the Board
- Predictable recovery from employers
- Administrative ease

Policy Issue: Who should bear the costs of administering the system?

- All taxpayers? (General Fund)
- All covered employees and their employers? (See New Mexico)
- All employers with covered employees? (Assessment based on premium)
- All employers whose workers suffered compensable injuries? (Assessment based on premium or benefits paid)

Funding Method	Pros	Cons	State Examples	Comments
GENERAL FUND	Revenue is somewhat predictable, once appropriation is approved, but subject to budget cuts Spreads the cost to taxpayers, generally Easy to administer	Need to compete with other programs needing GF dollars No link to amount of size or usage of the system	California (before 2003, was 80% General Fund) Iowa Illinois No. & So. Carolina So. Dakota	WC agencies funded through the General Fund are usually located within a larger department Special tax/assessment may still apply to wc entities, but funds are not dedicated

ALL COVERED EMPLOYEES and THEIR EMPLOYERS	All potential users of the services of the administrative agency share the cost	Not based on amount of usage of the system Somewhat unpredictable	New Mexico ($4 per covered e'ee quarterly, ½ pd by employer; ½ by employee)	Collected by the state tax entity, which takes a percentage of collections to cover collection costs
ASSESSMENT Specific dollar amount based on prior year premium	Predictable revenue to the Workers' Comp Board, b/c it's a specific dollar amount Easy to divide among insurers because prior-year premium levels are known Premiums presumably have some relationship to the number of employees, risk and injury rate	Insurers can't **accurately** spread the cost to employers, b/c it's not expressed as a percent of premium Insurers want assessment to show as a separate item on premium bills Changes in market can make current year payments unfair – insurer can have significant business one year, and less business in the year the assessment is collected	Rhode Island	Some states appear to allocate costs based on prior year premium, but allow insurers to collect it from current year policyholders.
ASSESSMENT Specific dollar amount based on prior year benefits paid (indemnity, medical, both)	Predictable revenue to the Workers' Comp Board (b/c it's a specific dollar amount) Easy to divide among insurers because prior-year benefits paid are known Makes employers/insurers with frequent losses pay for administration of system to deal	Same as for specific dollar amount based on premium (above) May impact an insurer's settlement process Payment of benefits does not necessarily equate with cost to the WCB (if employer pays without contesting	Minn (SI) – Indemnity benefits paid NH – All benefits Wisc. – Indemnity benefits paid or payable in cases closed in the prior year Maine (SI) – "aggregate	

	with the losses	claims, less work for WCB)	benefits”	
ASSESSMENT Percentage of anticipated premium (or assumed premium for self-insureds)	Insurers can pass assessment directly to employers	Unpredictable revenue to the WCB	Minn (I) Oregon Vermont Texas Nevada Mass?	
USER FEE	Parties that use the system pay for it	Unpredictable revenue Unfair to impose costs on parties who have not intentionally chosen to become involved with the system	Massachusetts: insurers pay a referral fee for each case that doesn’t settle at the conciliation stage); pays for a portion of the costs of the system	

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Appendix H

Proposal to Change Assessment Process, submitted by Department of Professional and Financial Regulation Commissioner Robert E. Murray, Jr.

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
35 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0035

JOHN ELIAS BALDACCI
GOVERNOR

ROBERT E. MURRAY, JR.
COMMISSIONER

December 2, 2003

RECEIVED
DEC 0 4 2003

Senator Bethada Edmonds
122 Hunter Road
Freeport, ME 04032

Dear Senator Edmonds:

Enclosed is proposed language regarding the Workers' Compensation Board's assessment drafted at the request of Senator Edmonds. The draft deals with one of the issues the committee has been addressing and has three main components.

- The board will assess insurers a fixed dollar amount based upon their prior year's premium writings. The allocation between insurers and self-insureds remains unchanged as is the self-insureds method for distributing their share of the assessment among their members. Insurers will be allowed to recoup this assessment from employers (the current assessment is a direct pass through to employers) and the Bureau of Insurance will be required to monitor insurer assessments to protect against over collection.

- Since the risk of over or under collection no longer exists for the board, the uncertainty as to the revenue flow into the Workers Comp Board is virtually eliminated. Because this approach would create a more stable and certain source of revenue, the need for a "reserve fund" is eliminated and the proposed draft includes provisions which would accomplish that.

- The proposal provides for a transition from the current assessment method to the proposed method. The transition language provides that insurer's rates reflect the need for lower assessments as the "old" assessment method winds down.

The administration looks forward to working with this subcommittee and the Labor Committee on this issue, and would welcome further comments or discussions.

Sincerely,

Buddy Murray

Robert E. Murray, Jr.
Commissioner

OFFICES LOCATED AT: 122 NORTHERN AVENUE, GARDINER, MAINE
PHONE: (207) 624-8511 (Voice) TDD: 207-624-8563 FAX: (207) 624-8595
Internet: robert.e.murray.jr@maine.gov

§ 154. Dedicated fund; assessment on workers' compensation insurers and self-insured employers

The Workers' Compensation Board Administrative Fund is established to accomplish the purposes of this Act. All income generated pursuant to this section must be recorded on the books of the State in a separate account and deposited with the Treasurer of State and be credited to the Workers' Compensation Board Administrative Fund.

1. Use of fund. All money credited to the Workers' Compensation Board Administrative Fund must be used to support the activities of the board and for no other purpose. Any balance remaining continues from year to year as a fund available for the purposes set out in this section and for no other purpose.

2. Expenditures. Expenditures from the Workers' Compensation Board Administrative Fund are subject to legislative approval and allocation in the same manner as appropriations are made from the General Fund. The joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs shall approve the allocation.

3. Assessment on workers' compensation coverage. The following provisions apply regarding the Workers' Compensation Board assessment on workers' compensation ~~insurance~~ coverage.

A. Every insurance company, as defined in section 102, ~~or association~~ that writes workers' compensation insurance in the State and that does business or collects premiums or assessments in the State, ~~including newly licensed insurance companies and associations,~~ and every self-insured employer approved pursuant to section 403, shall pay to the board the assessment determined pursuant to this section for the purpose of providing partial support and maintenance of the board. The Bureau of Insurance shall report to the board all newly authorized workers' compensation insurers or individual or group self-insurers in order to facilitate notification to the new carrier of its obligations under this section. An insurance company or self-insurer whose authority terminates remains responsible for the assessment that is due in the year following the termination of its certificate of authority.

B. The assessment must be a dollar amount determined by the board in accordance with subsection 6-A ~~stated as a percentage of each employer's premium base~~. In determining the assessment ~~percentage~~ level, consideration must be given to the balance in the Workers' Compensation Board Administrative Fund.

~~B-1. An employer's premium base for assessment purposes is defined as payroll times the filed manual rate applicable to the employer times the employer's current experience modification factor, if applicable. The calculation may not include any deductible credit, other than credits for the $1,000 and $5,000 indemnity deductibles and the $250 and $500 medical deductibles established pursuant to Title 24-A, sections 2385 and 2385-A. For policies written using retrospective rating, the premium base must be calculated in~~

~~accordance with this paragraph regardless of the actual retrospective premium calculation.~~

~~The employer's premium base is subject to the final audit requirements of the Bureau of Insurance Rule, Chapter 470. If the audit results in a change in premium base, the amount of the assessment must be adjusted accordingly.~~

~~C. For each fiscal year, the initial assessment percentage must be determined by the board by May 1st of the prior fiscal year. Insurance companies or associations must begin collecting the initial assessment from all employers on July 1st of each year. In establishing the assessment percentage, the board shall estimate the expected premium base for the upcoming fiscal year based on the returns filed under paragraph D and anticipated trends in the insurance marketplace. The board shall consult with the Bureau of Insurance and other knowledgeable sources to help determine the trends. The board may adjust the assessment percentage at any time but shall provide written notice to the affected companies and associations at least 45 days prior to the effective date of the adjustment. The board may not adjust the assessment percentage more than 3 times in a fiscal year. The adjusted assessment percentage must be applied prospectively on policies with an effective date on or after the effective date of the adjustment.~~

D. All assessments under this section are due and payable by July 1st, except that an ~~Every~~ insurance company or individual or group self-insurer ~~association subject to the assessment imposed by this section~~ with an ~~estimated~~ annual payment of $50,000 or more ~~based on previous assessment returns~~ may make payments in equal quarterly installments on the 1st day of each July, October, January and April. ~~Each insurance company or association electing quarterly payments must on or before the last day of each January, each April, the 25th day of each June and the last day of each October file with the board, on forms prescribed by the board, a return for the quarter ending the last day of the preceding month, except the month of June, which is for the quarter ending June 30th, and remit payment of the assessment based upon the results for the quarter reported. A final reconciled annual return must be filed on or before September 15th covering the prior fiscal year in which the previous assessment was levied. The final return must be certified by the company's or association's chief financial officer. Insurance companies or associations with an annual assessment estimate of under $50,000 shall pay the assessment on or before June 1st and shall also file a quarterly and an annual return on forms prescribed by the board.~~ Each insurer and individual or group self-insurer subject to assessment shall file a return with the board, on a form prescribed by the board, on or before the date the annual or quarterly payment is due, and remit payment of the assessment. Affiliated insurers may aggregate their collection volume in order to meet the $50,000 assessment threshold as long as the affiliation is consistent with the standards defined in Title 24-A, section 222. Those qualifying insurance companies ~~or associations~~ that opt to consolidate their quarterly payments and reports may do so only if each individually licensed company ~~or association~~ is individually reported within each consolidated return.

~~**4. Assessment on self-insured employers.** Every self-insured employer approved pursuant to section 403 shall, for the purpose of providing partial support and maintenance of the board, pay an assessment on aggregate benefits paid by each member pursuant to section 404, subsection 4. This assessment must be a dollar amount.~~

5. Amounts of premiums and losses; distribution of assessment. The Bureau of Insurance shall provide to the board the amounts of gross direct workers' compensation premiums written by each insurance <u>company</u> ~~carrier~~ and the amounts of aggregate benefits paid by each <u>individual</u> ~~self-insurer~~ and group self-insurer <u>in each calendar year</u> on or before April 1st of ~~each~~ <u>the following</u> year. Beginning with the assessment for the fiscal year beginning July 1, 1995 and thereafter, the total assessment must be distributed between insurance companies ~~or associations~~ and self-insured employers in direct proportion to the pro rata share of disabling cases attributable to each group for the most recent calendar year for which data is available. This distribution of the assessment must be determined on a basis consistent with the information reported by the Department of Labor, Bureau of Labor Standards, Research and Statistics Division in its annual Characteristics of Work-Related Injuries and Illnesses in Maine publication, provided that any segment of the market identified as "not-insured" be excluded from the calculation of proportionate shares. In consultation with the Director of Labor Standards, the board shall determine a date prior to the required assessment to establish the distribution. <u>Within each group, insurance companies must be assessed in proportion to their gross direct workers' compensation premium in the preceding calendar year, and individual and group self-insurers must be assessed in proportion to their aggregate benefits paid in the preceding calendar year.</u>

~~**6. Assessment levied.** The assessments levied under this section may not be designed to produce more than $6,000,000 in revenues annually beginning in the 1995-96 fiscal year, more than $6,600,000 annually beginning in the 1997-98 fiscal year, more than $6,735,000 beginning in the 1999-00 fiscal year, more than $7,035,000 in the 2001-02 fiscal year, more than $6,860,000 beginning in the 2002-03 fiscal year, more than $8,390,000 beginning in the 2003-04 fiscal year, more than $8,565,000 beginning in the 2004-05 fiscal year or more than $8,525,000 beginning in the 2005-06 fiscal year. Assessments collected that exceed $6,000,000 beginning in the 1995-96 fiscal year, $6,600,000 beginning in the 1997-98 fiscal year, $6,735,000 beginning in the 1999-00 fiscal year, $7,035,000 in fiscal year 2001-02, $6,860,000 beginning in the 2002-03 fiscal year, $8,390,000 beginning in the 2003-04 fiscal year, $8,565,000 beginning in the 2004-05 fiscal year or $8,525,000 beginning in the 2005-06 fiscal year by a margin of more than 10% must be refunded to those who paid the assessment. Any amount collected above the board's allocated budget and within the 10% margin must be used to create a reserve of up to ¼ of the board's annual budget. The board, by a majority vote of its membership, may use its reserve to assist in funding its Personal Services account expenditures and All Other account expenditures and to help defray the costs incurred by the board pursuant to this Act including administrative expenses, consulting fees and all other reasonable costs incurred to administer this Act. The board shall notify the chairs and members of the joint standing committee of the Legislature having jurisdiction over labor matters whenever the board receives approval from the State Budget Officer and the Governor to use reserve funds to increase its allotment above the~~

~~allocation authorized by the Legislature. Any collected amounts or savings above the allowed reserve must be used to reduce the assessment for the following fiscal year. The board shall determine the assessments prior to May 1st and shall assess each insurance company or association and self-insured employer its pro rata share for expenditures during the fiscal year beginning July 1st. Each self-insured employer shall pay the assessment on or before June 1st. Each insurance company or association shall pay the assessment in accordance with subsection 3.~~

6-A. Calculation of assessment. Each year, on or before May 1st, the board shall determine the aggregate assessment to be levied under this section for the coming fiscal year and shall send an invoice to each insurance company and each individual and group self-insurer for its share of the assessment. Beginning with the assessment for the fiscal year beginning July 1, 2005, the sum of the aggregate assessment for a fiscal year and the projected fund balance as of the beginning of that fiscal year may not exceed $8,525,000.

~~**7. Insurance company or association collections.** Insurance companies or associations shall bill and collect assessments under this section on insured employers. The assessments must be separately stated amounts on all premium notices and may not be reported as premiums for any tax or regulatory purpose or for the purpose of any other law. All collected payments must be submitted to the board with the next quarterly payment. The Bureau of Insurance shall report to the board all newly authorized workers' compensation carriers in order to facilitate notification to the new carrier of its obligations under this section.~~

7-A. Insurance premiums. An insurer may include within its rates and premiums charged for workers' compensation insurance policies an amount sufficient to cover the assessment the insurer reasonably expects to be assessed pursuant to this section. In order to provide for equitable treatment of policyholders with different anniversary dates, that rating factor may only be changed with an effective date of July 1st, and the portion of a policyholder's 12-month premium attributable to anticipated assessments may be treated as fully earned at policy issuance. That amount may be separately stated on all premium notices. The Bureau of Insurance shall monitor the premiums collected by each insurer for the purpose of recouping anticipated assessments and shall report annually the amount collected from employers and the assessment actually paid. For purposes of calculating an insurer's premium tax or its Workers' Compensation Board Administrative Fund Assessment for the following year, the amount of any assessment paid pursuant to this section must be deducted from the insurer's premium for the year in which the assessment is paid.

8. Violations. Any insurance company~~, association~~ or self-insured employer subject to this section that willfully fails to pay an assessment in accordance with this section commits a civil violation for which a forfeiture of not more than $500 may be adjudged for each day following the due date for which payment is not made.

9. Deposit of funds; investment. All revenues derived from assessments levied against insurance companies~~, associations~~ and self-insured employers described in this section must be reported and paid to the Treasurer of State and credited to the Workers' Compensation Board

Administrative Fund. The Treasurer of State may invest the funds in accordance with state law. All interest must be paid to the fund.

10. Deposit of funds in Workers' Compensation Board Administrative Fund. The Treasurer of State shall deposit in the Workers' Compensation Board Administrative Fund funds collected pursuant to section 152, subsection 14.

11. Repealed. Laws 1995, c. 59, § 6, eff. May 3, 1995.

12. Audit. In consultation with the Bureau of Insurance, the board may audit all returns and investigate any issues relevant to the collection and payment of any assessment under this section.

Transition Section of Bill

The reserve fund ceases to exist as a separate account within the Workers' Compensation Board Administrative Fund on July 1, 2005. The expected reserve fund balance as of July 1, 2005 must be included in the available balance of the Workers' Compensation Board Administrative Fund for purposes of reducing the assessment for the fiscal year beginning July 1, 2005 in accordance with Title 39-A, section 154, subsection 6-A.

Insurers choosing to adjust their premium rates to reflect the new assessment mechanism shall file notice of the rate revision with the Superintendent of Insurance as soon as possible after the insurer's assessment is determined. Such rate revisions may not apply to policies issued or renewed before July 1, 2005.

The amendments to Title 39-A, section 154 apply to all assessments due from insurers and self-insurers on and after July 1, 2005 for the fiscal years beginning on that date and thereafter. The assessment on insurers for coverage in force between the effective date of this Act and July 1, 2005 is governed by the law in effect immediately before the effective date of this Act, as modified by the following transition provisions:

> **A.** The board may not adjust the assessment percentage for insurance policies on or after the effective date of this Act. Insurers shall pay assessments at the percentage in force on the effective date of this Act on all policies issued or renewed between the effective date of this Act and June 30, 2005.
>
> **B.** Assessments on policies in force before July 1, 2005 must be based on the audited premium for the full term of coverage, with the exception of multiyear policies, which must be assessed on a *pro rata* basis for the period of coverage ending on the first anniversary date on or after July 1, 2005. Policies issued or renewed on or after July 1, 2005 are not subject to percentage surcharges pursuant to this section, with the exception of policies issued as midterm replacement coverage for surchargeable policies, which must be assessed on a *pro rata* basis for the period of coverage ending on the anniversary date of the prior policy.

C. Collection of aggregate assessments in excess of the limit established by Title 39-A, section 154, subsection 6 does not make those assessments subject to refund. . All otherwise valid assessments collected in excess of that limit must be retained in the Workers' Compensation Board Administrative Fund and applied to reduce subsequent assessments.

D. Quarterly returns and assessment payments due from insurers on or before April 30, 2005 are governed by the law in effect immediately before the effective date of this Act. The board shall develop transitional quarterly return forms for use on and after July 1, 2005 by insurers that have not yet filed a final reconciliation of all policy surcharges and refunds on coverage issued or renewed before July 1, 2005. With each transitional return, the insurer shall remit to the board its current quarterly assessment installment, plus all surcharges collected from employers more than one month before the due date of the return and not already reported on a prior return, minus all surcharge refunds paid to employers more than one month before the due date of the return and not already reported on a prior return.

E. In establishing its assessment levels for insurance companies for the fiscal years beginning July 1, 2005 and July 1, 2006, the board shall first allocate the aggregate assessment revenue required between insurance companies and self-insurers, as provided in Title 39-A, section 154, subsection 5. The board shall then determine the aggregate assessment to be levied on insurance companies on a current basis, by deducting, from the total amount to be collected from insurance companies, the anticipated net revenues from all surcharges remitted during the fiscal year pursuant to subsection D on coverage issued or renewed before July 1, 2005, including premium audit adjustments on those policies.

Appendix I

Description of the Assessment Calculation for FY 04

* WORKERS' COMPENSATION BOARD
INSURANCE COMPANIES ASSESSMENT CALCULATIONS
FY' 2004

1. Estimated Total Market
From 39-A MRSA 154 (3)

The assessment must be stated as a percentage of each employer's premium base. In establishing the assessment percentage, the board shall estimate the expected premium base for the upcoming fiscal year based on returns filed...and anticipated trends in the insurance marketplace. The premium base for assessment purposes is the payroll times the filed manual rate times the employer's current experience modification factor, if applicable. The only deductible credits that may be included in the calculation are for the $1,000 and $5,000 indemnity deductible and the $250 and $500 medical deductible per 24-A M.R.S.A. §2385 and 2385-A. For policies written using retrospective rating, the premium base must be calculated in accordance with this paragraph regardless of the actual retrospective premium calculation.

Estimated Total Market: $240,000,000

2. Pro Rata Share of Disabling Cases
From 39-A MRSA 154 (5)

The assessment must be distributed between insurance companies or associations and self-insured employers in direct proportion to the pro rata share of disabling cases attributable to each group for the most recent calendar year for which data is available.

Pro rata share of disabling cases:

Insurance Companies	8,983 (60.5119568878%)
Self-Insured Employers	5,862 (39.4880431122%)
TOTAL	14,845 (100.00%)

3. Amount of Assessment.
39-A MRSA 154 (6)

Total FY' 2004 Assessment: $7,830,000

Note that the Board has voted to reduce the amount of this assessment by $560,000. This reduced the assessment that employers ultimately have to pay to $7,830,000.

4. Assessment Distribution. (Pro rata share x total assessment = assessment distribution)

Insurance Companies:	60.5119568878% x $7,830,000 = $4,738,086.22
Self-Insured Employers:	39.4880431122% x $7,830,000 = $3,091,913.78

5. Individual Assessment
39-A MRSA 154 (3)

Total Assessed Amount for Insurance Companies / Estimated Total Market = FY' 2004 Assessment Rate

$4 ,738,086.22 / $240,000,000 = 1.97%

August 2003

* WORKERS' COMPENSATION BOARD
SELF-INSUREDS ASSESSMENT CALCULATIONS
FY'2004

1. Assessment on Self-Insured Employers:
From 39-A MRSA 154 (4). Every self-insured employer must pay an assessment on aggregate benefits paid. This assessment must be a dollar amount.

2. Pro Rata Share of Disabling Cases
From 39-A MRSA 154 (5)

The assessment must be distributed between insurance companies or associations and self-insured employers in direct proportion to the pro rata share of disabling cases attributable to each group for the most recent calendar year for which data is available.

Pro rata share of disabling cases:

Insurance Companies	8,983 (60.5119568878%)
Self-Insured Employers	5,862 (39.4880431122%)
TOTAL	14,845 (100.00%)

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Total FY'2004 Assessment: $7,830,000

Note that the Board has voted to reduce the amount of this assessment by $560,000. This reduced the assessment that employers ultimately have to pay to $7,830,000.

4. Assessment Distribution.
(Pro rata share x total assessment = assessment distribution)

Insurance Companies: 60.5119568878% x $7,830,000 = $4,738,086.22

Self-Insured Employers: 39.4880431122% x $7,830,000 = $3,091,913.78

5. Individual Assessment.
From 39-A MRSA 154 (4)

Each member shall pay an assessment on aggregate benefits paid.

Total Assessed Amount / Total Aggregate Benefits Paid = Individual Percentage

$3,091,913.78 / $86,585,803.09 = 3.5709246382%

This percentage is multiplied by the aggregate benefits paid as reported by each self-insured employer to determine the individual self-insured assessment dollar amount due.

Payments are due June 1 from all self-insured employers.

Prepared by the Maine Workers' Compensation Board
September 2003

August 2003