Individual State Agency Fiscal Note

Bill Number: 2353 HB	Title: Agency loss prevention	Agency: 105-Office of Financial Management

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2002	FY 2003	2001-03	2003-05	2005-07
Risk Management Account-Non-Appropriated 546-6				326,000	326,000
Total $				326,000	326,000

Estimated Expenditures from:

	FY 2002	**FY 2003**	**2001-03**	**2003-05**	**2005-07**
FTE Staff Years	0.0	1.0	0.5	1.0	1.0
Fund					
Risk Management Account-Non-Appropriated 546-6	0	132,000	132,000	326,000	326,000
Total $	0	132,000	132,000	326,000	326,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Edie Adams	Phone: 360-786-7180	Date: 01/23/2002
Agency Preparation:	Tristan Wise	Phone: 360-902-0546	Date: 01/23/2002
Agency Approval:	Peter Antolin	Phone: 360-902-0551	Date: 01/31/2002
OFM Review:	Robin Campbell	Phone: 360-902-0575	Date: 01/31/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The bill gives the Office of Financial Management Director the authority to decide when a loss prevention review for incidents involving death and serious injury to the public and other substantial losses are attributed to the state government's failure to fulfill its lawful duties.

Section 2 (1). The Office of Financial Management Director is granted the authority to appoint a loss prevention review team when the death of a person, serious injury to a person, or other substantial loss is alleged or suspected to be caused at least in part by the actions of a state agency, unless the director in his or her discretion determines that the incident does not merit review.

Section 2(2). A loss prevention review team shall consist of at least three but no more than five persons, and may include independent consultants, contractors, or state employees, but it shall not include any person employed by the agency involved in the loss or risk of loss giving rise to the review, nor any person with testimonial knowledge of the incident to be reviewed.

Section 2(3). The loss prevention review team shall review the death, serious injury, or other incident and the circumstances surrounding it, evaluate its causes, and recommend steps to reduce the risk of such incidents occurring in the future. The loss prevention review team shall accomplish these tasks by reviewing relevant documents, interviewing persons with relevant knowledge, and reporting its recommendations in writing to the OFM director.

Section 2(4). State agencies shall provide the loss prevention review team ready access to relevant documents in their possession and ready access to their employees.

Section 3(1). The final report from the loss prevention review team to the OFM director shall be made public by the director promptly upon receipt, and shall be subject to public disclosure.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The Risk Management Administration Account receives its revenue through a revolving fund cost allocation that is billed to agencies annually. The cost allocation formula is based upon an agency's claims loss history, commercial insurance premium, and number of FTE's. The Risk Management Administration Account has sufficient fund balance (projected $200,000 as of June 30, 2003) to fund the development and implementation of the the loss prevention review program for Fiscal Year 2003 only. In the FY03-05 biennium, this new program's cost will have to billed to agencies through a revolving fund charge.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Estimated expenditures are based upon the following assumptions:
Due to the complexity and sensitivity of the incidents necessitating the loss prevention reviews, it is estimated that twelve (12) loss prevention reviews will be conducted annually. While there is the potential for hundreds of incidents to fall within the bill's criteria, a limited number can effectively be investigated in a manner that produces major systematic change recommendations. To achieve the greatest return on investment, team reviews would focus on those state programs deemed to be the highest risk.

In FY03, the first six months will be devoted to the development of an agency incident reporting system, a loss prevention review team process, and a loss prevention review team investigation model. Upon completion, a pool of potential team members will be recruited and trained. The loss prevention review team activities will begin January 2003. It is projected that six reviews will be accomplished in FY03. In FY04, this number is projected to double.

Loss prevention team members appointed will be a mix of state employees and private sector participants. On average, it is expected that they will spend approximately 4 full days of their time to complete the review (this includes situations where they might have to travel to another part of the State). Since most team members are current State employees, no additional cost is associated with time devoted to the review. Private sector participants would be asked to serve on a voluntary basis.

The State Risk Manager will require one new staff member to assist with program implementation. The new FTE, a Loss Prevention Review Analyst, will perform the following duties:
1.) Under the supervision of the State Risk Manager, develop the loss prevention review team operating procedures and investigation scope; develop an agency incident reporting system; train loss prevention review team members in their responsibilities; and oversee the loss prevention review team process.

2.) Conduct investigation, research, and reporting-writing work for the loss prevention review team, and assist them in the completion of all required Team tasks. For the purpose of this fiscal note, it is assumed that the Loss Prevention Review Analyst will spend one month in the completion of each loss prevention review. Workload will be reviewed periodically to determine if this number can be increased once the program is fully established.

Administrative support associated with report generation, meeting scheduling, and public disclosure requests will be absorbed with present resources.

Personal Services Contract: Under certain circumstances outside experts will need to be consulted. An annual amount of $50,000 is assumed for personal service contracts to quickly procure services given the time-sensitive nature of these reviews. In FY03, this amount is $25,000 given the January 1, 2003 projected implementation of team reviews.

Goods and Services: One-time costs of $8,000 for a computer and workstation and on-going annual costs of $10,000 for postage and printing associated with loss prevention review report generation, public disclosure requests, and program materials.

Travel: A travel budget of $28,000 is established to provide for the Loss Prevention Review Team members to be reimbursed for travel on five loss prevention reviews, and the Loss Prevention Review Analyst to receive travel reimbursement for all scheduled loss prevention reviews. In FY03, this amount is $14,000 given the January 1, 2003 projected implementation of team reviews.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years		1.00	0.5	1.0	1.0
A-Salaries and Wages		60,000	60,000	120,000	120,000
B-Employee Benefits		15,000	15,000	30,000	30,000
C-Personal Service Contracts		25,000	25,000	100,000	100,000
E-Goods and Services		18,000	18,000	20,000	20,000
G-Travel		14,000	14,000	56,000	56,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total $	0	132,000	132,000	326,000	326,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	**Salary**	FY 2002	FY 2003	2001-03	2003-05	2005-07
Exempt (LPR Analyst)	60,000		1.0	0.5	1.0	1.0
Total FTE's			1.0	0.5	1.0	1.0

Part IV: Capital Budget Impact

Not applicable

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.