



COMMITTEE REPORT

HOUSE

3/5

2/4/81

FURTHER: FINANCE

(5)

Date: 2-25-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 60

"An Act establishing a risk management and loss prevention program in state government; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 60 (RW)  same title  
 new title  
 and recommends CS HB 60 (SA) DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING

DO PASS

W. Miller

John B. ...

David ...

...

...

...

...

...

MEMBERS HAVING

OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

W. Miller  
CHAIRMAN

Chenoweth  
Gov

Original Sponsor: Rules/Governor

Introduced: 1/27/51  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 60 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a risk management and loss pre-  
7 vention program in state government; and providing for  
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 14.08.101 is amended by adding a new paragraph to read:

11 (10) participate in the risk management and loss prevention  
12 program of the Department of Administration established under AS 44.78.

13 \* Sec. 2. AS 14.40 is amended by adding a new section to read:

14 Sec. 14.40.297. RISK MANAGEMENT AND LOSS PREVENTION. (a) The  
15 University of Alaska may initiate and implement a risk management and  
16 loss prevention program to reduce risks, accidents, and losses if the  
17 Board of Regents finds that a risk management and loss prevention  
18 program is consistent with the management policies of the University of  
19 Alaska. The Department of Administration may provide assistance to  
20 implement and operate the risk management and loss prevention program  
21 if requested by the University of Alaska.

22 (b) If the Board of Regents finds under (a) of this section that  
23 the establishment of a risk management and loss prevention program is  
24 consistent with the management policies of the University of Alaska,  
25 the Board of Regents shall establish a risk management fund for the  
26 payment of insurance premiums, uninsured losses, deductibles, advance  
27 payments of insured losses, risk management service contracts, and  
28 other purposes consistent with the risk management program. All ex-  
29 penses of the risk management program, including building improvements

1 made and training programs conducted as part of the loss prevention  
2 program, shall be financed from the risk management fund and budgeted  
3 in accordance with the Executive Budget Act (AS 37.07). The university  
4 shall report annually to the legislature all activities and balances of  
5 the risk management fund.

6 (c) The legislature may appropriate to the risk management fund  
7 any amounts necessary to implement this section, including but not  
8 limited to amounts received by the state from litigation or settlement  
9 of claims for damage relating to insured or uninsured losses to be paid  
10 from the risk management fund, and interest and other returns from  
11 investment of the risk management fund.

12 (d) Unless otherwise expressly provided in the appropriation  
13 bill, money appropriated to the risk management fund is not a one-year  
14 appropriation under AS 37.25.010. An amount which is appropriated but  
15 which is not required for the purposes of the risk management fund in a  
16 fiscal year remains available for spending in succeeding fiscal years.

17 \* Sec. 3. AS 44.21.020 is amended by adding a new paragraph to read:

18 (13) administer the risk management fund established under  
19 AS 44.78 and assist in the administration of a risk management fund  
20 established by the University of Alaska under AS 14.40.297.

21 \* Sec. 4. AS 44 is amended by adding a new chapter to read:

22 CHAPTER 78. RISK MANAGEMENT AND LOSS PREVENTION.

23 Sec. 44.78.010. RISK MANAGEMENT AND LOSS PREVENTION. The Depart-  
24 ment of Administration shall initiate and implement a risk management  
25 and loss prevention program for all state departments, agencies, boards  
26 and commissions, and regional educational attendance areas, to reduce  
27 risks, accidents, and losses. All state departments, agencies, boards  
28 and commissions, and regional educational attendance areas shall cooper-  
29 ate and assist the department to initiate, implement, and operate the

1 risk management and loss prevention program.

2 Sec. 44.78.020. FUND ESTABLISHED. There is established a risk  
3 management fund for all state departments, agencies, boards and commis-  
4 sions. The risk management fund shall be administered by the depart-  
5 ment in accordance with AS 37.10 for the payment of insurance premiums,  
6 uninsured losses, deductibles, advance payments of insured losses, risk  
7 management service contracts, and other purposes consistent with the  
8 risk management and loss prevention program and considered proper by  
9 the commissioner of administration. The department shall transfer to  
10 an affected agency money appropriated to the risk management fund as  
11 reimbursement for loss or damage as it is needed for repair or replace-  
12 ment of lost or damaged property. All expenses of the risk management  
13 and loss prevention program, including building improvements made and  
14 training programs conducted as part of the risk management and loss  
15 prevention program, shall be financed by the risk management fund and  
16 budgeted in accordance with the Executive Budget Act (AS 37.07). The  
17 department shall report annually to the legislature all activities and  
18 balances of the fund.

19 Sec. 44.78.030. RISK MANAGEMENT FUND FOR REGIONAL EDUCATIONAL  
20 ATTENDANCE AREAS. There is established for regional educational attend-  
21 ance areas a risk management fund separate from but administered in the  
22 same manner as the fund established under AS 44.78.020. The risk  
23 management fund for the regional educational attendance areas shall be  
24 administered by the department for the payment of insurance premiums,  
25 uninsured losses, deductibles, advance payments of insured losses, risk  
26 management service contracts, and other purposes consistent with the  
27 risk management and loss prevention program and considered proper by  
28 the commissioner of administration. All expenses of the risk management  
29 and loss prevention program, including building improvements made and

1 training programs conducted as part of the risk management and loss  
2 prevention program, shall be financed by the risk management fund and  
3 budgeted in accordance with the Executive Budget Act (AS 37.07). The  
4 department shall report annually to the legislature all activities and  
5 balances of the fund.

6 Sec. 44.78.040. LEGISLATIVE APPROPRIATION TO FUNDS. The legis-  
7 lature may appropriate to each risk management fund established amounts  
8 which may be required under this chapter, including but not limited to  
9 amounts received by the state from litigation or settlement of claims  
10 for damage relating to insured or uninsured losses handled by each risk  
11 management fund, and from interest and other returns from investment of  
12 each fund by the commissioner of revenue in accordance with AS 37.10.-  
13 070.

14 Sec. 44.78.050. APPROPRIATIONS TO RISK MANAGEMENT FUND NOT TO  
15 LAPSE. Unless otherwise expressly provided in the Act making the  
16 appropriation, money appropriated to a risk management fund is not an  
17 appropriation under AS 37.25.010. An amount which is appropriated but  
18 which is not required for the purposes of the risk management fund in a  
19 fiscal year remains available for spending in succeeding fiscal years.

20 Sec. 44.78.060. STATE AGENCY RESPONSIBILITY. Nothing in this  
21 chapter relieves a state agency from its statutory responsibilities for  
22 safety and loss prevention enforcement and training.

23 Sec. 44.78.070. DEFINITION. In this chapter, "department" means  
24 the Department of Administration.

25 \* Sec. 5. This Act takes effect July 1, 1981.  
26  
27  
28  
29

Introduced: 2/4/81  
Referred: State Affairs and  
Finance

*Letter  
721*

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 60

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a risk management and loss pre-  
7 vention program in state government; and providing  
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 14.08.101 is amended by adding a new paragraph to read:

11 (10) participate in the risk management program of the De-  
12 partment of Administration established under AS 44.21.070.

13 \* Sec. 2. AS 14.40 is amended by adding a new section to read:

14 Sec. 14.40.297. RISK MANAGEMENT AND LOSS PREVENTION. (a) The  
15 University of Alaska shall initiate and implement a risk management  
16 and loss prevention program to reduce risks, accidents and losses.  
17 The Department of Administration may provide assistance to implement  
18 and operate the program as requested by the University of Alaska.

19 (b) There is established for the University of Alaska a risk  
20 management fund for the payment of insurance premiums, uninsured  
21 losses, deductibles, advance payments of insured losses, risk manage-  
22 ment service contracts, and other purposes consistent with the risk  
23 management program. All expenses of the risk management program, in-  
24 cluding building improvements made and training programs conducted as  
25 part of the loss prevention program, are to be financed from the risk  
26 management fund and budgeted in accordance with the Executive Budget  
27 Act (AS 37.07). The university shall report annually to the legisla-  
28 ture all activities and balances of the fund.

29 (c) The legislature may appropriate to the risk management fund.

1 any amounts necessary to implement this section which may include but  
2 need not be limited to amounts received by the state from litigation  
3 or settlement of claims for damage relating to insured or uninsured  
4 losses to be paid from the risk management fund, and from interest and  
5 other returns from investment of the fund.

6 (d) Unless otherwise expressly provided, money appropriated to  
7 the risk management fund is not a one-year appropriation under AS 37.-  
8 25.010. Any amount which is appropriated but which is not required  
9 for the purposes of the fund in that fiscal year remains available for  
10 spending in succeeding fiscal years.

11 \* Sec. 3. AS 44.21.020 is amended by adding a new paragraph to read:

12 (13) administer the risk management funds established under  
13 AS 44.21.070 and assist in the administration of the risk management  
14 fund established for the University of Alaska under AS 14.40.297.

15 \* Sec. 4. AS 44.21 is amended by adding a new section to read:

16 Sec. 44.21.070. RISK MANAGEMENT AND LOSS PREVENTION. (a) The  
17 Department of Administration shall initiate and implement a risk man-  
18 agement and loss prevention program for all state departments, agencies,  
19 boards and commissions, and regional educational attendance areas, to  
20 reduce risks, accidents, and losses. All state departments, agencies,  
21 boards and commissions, and regional educational attendance areas shall  
22 render the necessary cooperation and assistance to the Department of  
23 Administration to initiate, implement, and operate the risk management  
24 and loss prevention program. Nothing in this section relieves state  
25 agencies from their statutory responsibilities for safety and loss pre-  
26 vention enforcement and training.

27 (b) There is established for all state departments, agencies,  
28 boards and commissions a risk management fund to be administered by  
29 the Department of Administration in accordance with AS 37.10 for the

1 payment of insurance premiums, uninsured losses, deductibles, advance  
2 payments of insured losses, risk management service contracts, and  
3 other purposes consistent with the risk management program and consid-  
4 ered proper by the commissioner of administration. The department  
5 shall transfer to an affected agency, as reimbursement for loss or  
6 damage, as needed for repair or replacement of lost or damaged prop-  
7 erty, money appropriated to the fund. All expenses of the risk manage-  
8 ment program, including building improvements made and training pro-  
9 grams conducted as part of the loss prevention program, are to be  
10 financed by the risk management fund and budgeted in accordance with  
11 the Executive Budget Act (AS 37.07). The department shall report  
12 annually to the legislature all activities and balances of the fund.

13 (c) There is established for regional educational attendance  
14 areas a risk management fund which is separate from but administered in  
15 the same manner as the fund established under (b) of this section. The  
16 risk management fund for the regional educational attendance areas  
17 shall be administered by the Department of Administration for the pay-  
18 ment of insurance premiums, uninsured losses, deductibles, advance pay-  
19 ments of insured losses, risk management service contracts, and other  
20 purposes consistent with the risk management program and considered  
21 proper by the commissioner of administration. All expenses of the risk  
22 management program, including building improvements made and training  
23 programs conducted as part of the loss prevention program, are to be  
24 financed by the risk management fund and budgeted in accordance with  
25 the Executive Budget Act (AS 37.07). The department shall report  
26 annually to the legislature all activities and balances of the fund.

27 (d) The legislature may appropriate to each risk management fund  
28 any amounts necessary to implement this section which may include but  
29 need not be limited to amounts received by the state from litigation or

1 settlement of claims for damage relating to insured or uninsured  
2 losses handled by each risk management fund, and from interest and  
3 other returns from investment of each fund by the commissioner of rev-  
4 enue in accordance with AS 37.10.070.

5 (e) Unless otherwise expressly provided, money appropriated to a  
6 risk management fund is not a one-year appropriation under AS 37.25.-  
7 010. Any amount which is appropriated but which is not required for  
8 the purposes of the fund in a fiscal year remains available for spend-  
9 ing in succeeding fiscal years.

10 \* Sec. 5. This Act takes effect July 1, 1981.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29



ments of the program. The bill requires reporting activities of the funds to the legislature annually. A result of the approach proposed by this bill will be a more efficient operation of the state risk management program, a method of retaining funds within the REAA insurance budget to take advantage of favorable loss experience, and a mechanism for providing a risk management program to the University of Alaska which will produce strict accounting and should result in savings to the university and to the state.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST HOUSE BILL NO. 60  
 Bill/Resolution No. \_\_\_\_\_  
 Title An Act establishing a risk management & loss prevention program in State Government  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Department of Administration  
 Program Category Affected General Government  
 BRU, Program, or Subprogram(s) Affected Risk Management  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	-0-	-0-	(671.1)	(402.7)	(134.2)	-0-
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	(671.1)	(402.7)	(134.2)	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source) I.A.	-0-	-0-	(671.1)	(402.7)	(134.2)	-0-

POSITIONS

	-0-	-0-	-0-	-0-	-0-	-0-
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See Attachment.

IV. DATE January 8, 1981 PREPARED BY John Haywood  
 AGENCY Administration  
 PHONE 465-2180  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 Keith Specking  
 33-001 (Rev. 12/80)

#### FISCAL NOTE

Title: An Act Establishing a Risk Management and Loss Prevention Program in State Government; and Providing for an Effective Date.

#### III. ANALYSIS

The goal of Risk Management is to protect the financial integrity of the State from the risk of accidental loss and to provide a safe and secure working environment for State employees. The Risk Management Program takes the combined exposures from all agencies for property, liability, marine and personnel losses. The State retains a major portion of most losses in the form of a deductible. The costs of risk are controlled by purchase of broad coverage insurance and through active loss control and aggressive claims management programs. Risk Management pertaining to the R.E.A.A. schools is limited to those activities involved with property insurance on the State owned facilities. Risk Management through the University of Alaska is involved through the implementation of a Risk Management Program for property and liability coverages. Risk Management provides consulting services to the University and assists them in the implementation and operation of their Risk Management program.

There are no new positions required to administer this change in funding. There are, in fact, no other expenditures which will be required to initiate the three revolving funds. Each fund will be set up through the normal appropriation for FY 81. It is estimated by Risk Management that once the fund is implemented, there will be a reduction in FY 83, FY 84 and FY 85 and that the costs will level off thereafter, adjusted for inflation. For the R.E.A.A. schools, the costs will reduce slightly through FY 84 and then will show the effects of 7% inflation thereafter. For the University, their FY 81 budget is for \$1.0 million and it is anticipated that the funding will show a decline in FY 82, FY 83 and FY 84 and will level off thereafter. The fund will permit an accurate accounting of the activities of each Risk Management program. The funds will also be able to receive receipts generated from third parties, favorable litigation, and the value of any earned interest on the fund. By utilizing the program receipts and continued application of the Loss Control and Claims Management programs, the need for funds should reduce as outlined above. The proper accounting of funds is only one advantage of the revolving fund. It is vitally important that there be a vehicle for holding on to funds until losses are finally settled, which normally takes from two to ten years for liability settlements. The fund will permit the proper settlement of the claims carrying forward reserves and will also provide cash flow advantages to the State by retaining the funds until losses are finally settled, rather than giving them to an insurance company to set up reserves. The fund will also permit transfer to another State agency in the event of a property loss and will also enable that agency to rebuild even if it carries over into a subsequent fiscal year.

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

HOUSE BILL NO. 60

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act establishing a risk management and loss prevention program in state government; and providing for an effective date."

Est a risk management and loss prevention program

Introduced in the House ..... 2/4, 19... 81

HISTORY IN THE HOUSE

19 81	Read first time and referred to Committee on State Affairs and Finance												
Feb 4	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr> <td>Reconsideration</td> <td></td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by Speaker												
	Sent to Senate												
CHIEF CLERK OF THE HOUSE													

HISTORY IN THE SENATE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr> <td>Reconsideration</td> <td></td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by President												
	Returned to House												
SECRETARY OF THE SENATE													

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	..... by Governor
	Filed with Lt. Governor
	Chapter No. ....

1560

January 12, 1981

Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill relating to risk management and loss prevention. The Department of Administration and the University of Alaska have requested this measure to allow them to deal more effectively with the insurance coverage demanded by state programs and institutions and the university.

The bill would establish three separate risk management funds, the first for state departments, agencies, boards and commissions, the second for regional educational attendance areas, and the third for the University of Alaska.

The approach sought here would allow the state to more efficiently administer the payment of losses with the large deductibles which are carried as part of the risk management program. The current method of providing money under a one-year appropriation makes it difficult to retain the money until the losses are settled. Over 60 percent of risk management money collected through the inter-agency receipt process are used to pay losses. In addition to permitting the retention of money for the duration of the financial obligation, the fund also permits a transfer of money within the state fiscal process for emergency repairs and other losses of a direct damage nature. Finally, the fund permits an exact accounting of each individual risk management program and is a mechanism for recording all receipts and disburse-

ments of the program. The bill requires reporting activities of the funds to the legislature annually. A result of the approach proposed by this bill will be a more efficient operation of the state risk management program, a method of retaining funds within the REAA insurance budget to take advantage of favorable loss experience, and a mechanism for providing a risk management program to the University of Alaska which will produce strict accounting and should result in savings to the university and to the state.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

Introduced: 2/4/81  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 60

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a risk management and loss pre-  
7 vention program in state government; and providing  
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 14.08.101 is amended by adding a new paragraph to read:

11 (10) participate in the risk management program of the De-  
12 partment of Administration established under AS 44.21.070.

13 \* Sec. 2. AS 14.40 is amended by adding a new section to read:

14 Sec. 14.40.297. RISK MANAGEMENT AND LOSS PREVENTION. (a) The  
15 University of Alaska shall initiate and implement a risk management  
16 and loss prevention program to reduce risks, accidents and losses.  
17 The Department of Administration may provide assistance to implement  
18 and operate the program as requested by the University of Alaska.

19 (b) There is established for the University of Alaska a risk  
20 management fund for the payment of insurance premiums, uninsured  
21 losses, deductibles, advance payments of insured losses, risk manage-  
22 ment service contracts, and other purposes consistent with the risk  
23 management program. All expenses of the risk management program, in-  
24 cluding building improvements made and training programs conducted as  
25 part of the loss prevention program, are to be financed from the risk  
26 management fund and budgeted in accordance with the Executive Budget  
27 Act (AS 37.07). The university shall report annually to the legisla-  
28 ture all activities and balances of the fund.

29 (c) The legislature may appropriate to the risk management fund

1 any amounts necessary to implement this section which may include but  
2 need not be limited to amounts received by the state from litigation  
3 or settlement of claims for damage relating to insured or uninsured  
4 losses to be paid from the risk management fund, and from interest and  
5 other returns from investment of the fund.

6 (d) Unless otherwise expressly provided, money appropriated to  
7 the risk management fund is not a one-year appropriation under AS 37.-  
8 25.010. Any amount which is appropriated but which is not required  
9 for the purposes of the fund in that fiscal year remains available for  
10 spending in succeeding fiscal years.

11 \* Sec. 3. AS 44.21.020 is amended by adding a new paragraph to read:

12 (13) administer the risk management funds established under  
13 AS 44.21.070 and assist in the administration of the risk management  
14 fund established for the University of Alaska under AS 14.40.297.

15 \* Sec. 4. AS 44.21 is amended by adding a new section to read:

16 Sec. 44.21.070. RISK MANAGEMENT AND LOSS PREVENTION. (a) The  
17 Department of Administration shall initiate and implement a risk man-  
18 agement and loss prevention program for all state departments, agencies,  
19 boards and commissions, and regional educational attendance areas, to  
20 reduce risks, accidents, and losses. All state departments, agencies,  
21 boards and commissions, and regional educational attendance areas shall  
22 render the necessary cooperation and assistance to the Department of  
23 Administration to initiate, implement, and operate the risk management  
24 and loss prevention program. Nothing in this section relieves state  
25 agencies from their statutory responsibilities for safety and loss pre-  
26 vention enforcement and training.

27 (b) There is established for all state departments, agencies,  
28 boards and commissions a risk management fund to be administered by  
29 the Department of Administration in accordance with AS 37.10 for the

1 payment of insurance premiums, uninsured losses, deductibles, advance  
2 payments of insured losses, risk management service contracts, and  
3 other purposes consistent with the risk management program and consid-  
4 ered proper by the commissioner of administration. The department  
5 shall transfer to an affected agency, as reimbursement for loss or  
6 damage, as needed for repair or replacement of lost or damaged prop-  
7 erty, money appropriated to the fund. All expenses of the risk manage-  
8 ment program, including building improvements made and training pro-  
9 grams conducted as part of the loss prevention program, are to be  
10 financed by the risk management fund and budgeted in accordance with  
11 the Executive Budget Act (AS 37.07). The department shall report  
12 annually to the legislature all activities and balances of the fund.

13 (c) There is established for regional educational attendance  
14 areas a risk management fund which is separate from but administered in  
15 the same manner as the fund established under (b) of this section. The  
16 risk management fund for the regional educational attendance areas  
17 shall be administered by the Department of Administration for the pay-  
18 ment of insurance premiums, uninsured losses, deductibles, advance pay-  
19 ments of insured losses, risk management service contracts, and other  
20 purposes consistent with the risk management program and considered  
21 proper by the commissioner of administration. All expenses of the risk  
22 management program, including building improvements made and training  
23 programs conducted as part of the loss prevention program, are to be  
24 financed by the risk management fund and budgeted in accordance with  
25 the Executive Budget Act (AS 37.07). The department shall report  
26 annually to the legislature all activities and balances of the fund.

27 (d) The legislature may appropriate to each risk management fund  
28 any amounts necessary to implement this section which may include but  
29 need not be limited to amounts received by the state from litigation or

1 settlement of claims for damage relating to insured or uninsured  
2 losses handled by each risk management fund, and from interest and  
3 other returns from investment of each fund by the commissioner of rev-  
4 enue in accordance with AS 37.10.070.

5 (e) Unless otherwise expressly provided, money appropriated to a  
6 risk management fund is not a one-year appropriation under AS 37.25.-  
7 010. Any amount which is appropriated but which is not required for  
8 the purposes of the fund in a fiscal year remains available for spend-  
9 ing in succeeding fiscal years.

10 \* Sec. 5. This Act takes effect July 1, 1981.

Original Sponsor: Rules/Governor

Offered: 3/5/81  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

CS FOR HOUSE BILL NO. 60 (State Affairs)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing a risk management and loss prevention program in state government; and providing for an effective date."

7

8

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

\* Section 1. AS 14.08.101 is amended by adding a new paragraph to read:

11

(10) participate in the risk management and loss prevention

12

program of the Department of Administration established under AS 44.78.

13

\* Sec. 2. AS 14.40 is amended by adding a new section to read:

14

Sec. 14.40.297. RISK MANAGEMENT AND LOSS PREVENTION. (a) The

15

University of Alaska may initiate and implement a risk management and

16

loss prevention program to reduce risks, accidents, and losses if the

17

Board of Regents finds that a risk management and loss prevention

18

program is consistent with the management policies of the University of

19

Alaska. The Department of Administration may provide assistance to

20

implement and operate the risk management and loss prevention program

21

if requested by the University of Alaska.

22

(b) If the Board of Regents finds under (a) of this section that

23

the establishment of a risk management and loss prevention program is

24

consistent with the management policies of the University of Alaska,

25

the Board of Regents shall establish a risk management fund for the

26

payment of insurance premiums, uninsured losses, deductibles, advance

27

payments of insured losses, risk management service contracts, and

28

other purposes consistent with the risk management program. All ex-

29

penses of the risk management program, including building improvements

1 made at training programs conducted as part of the loss prevention  
2 program, shall be financed from the risk management fund and budgeted  
3 in accordance with the Executive Budget Act (AS 37.07). The university  
4 shall report annually to the legislature all activities and balances of  
5 the risk management fund.

6 (c) The legislature may appropriate to the risk management fund  
7 any amounts necessary to implement this section, including but not  
8 limited to amounts received by the state from litigation or settlement  
9 of claims for damage relating to insured or uninsured losses to be paid  
10 from the risk management fund, and interest and other returns from  
11 investment of the risk management fund.

12 (d) Unless otherwise expressly provided in the appropriation  
13 bill, money appropriated to the risk management fund is not a one-year  
14 appropriation under AS 37.25.010. An amount which is appropriated but  
15 which is not required for the purposes of the risk management fund in a  
16 fiscal year remains available for spending in succeeding fiscal years.

17 \* Sec. 3. AS 44.21.020 is amended by adding a new paragraph to read:

18 (13) administer the risk management fund established under  
19 AS 44.78 and assist in the administration of a risk management fund  
20 established by the University of Alaska under AS 14.40.297.

21 \* Sec. 4. AS 44 is amended by adding a new chapter to read:

22 CHAPTER 78. RISK MANAGEMENT AND LOSS PREVENTION.

23 Sec. 44.78.010. RISK MANAGEMENT AND LOSS PREVENTION. The Depart-  
24 ment of Administration shall initiate and implement a risk management  
25 and loss prevention program for all state departments, agencies, boards  
26 and commissions, and regional educational attendance areas, to reduce  
27 risks, accidents, and losses. All state departments, agencies, boards  
28 and commissions, and regional educational attendance areas shall cooper-  
29 ate and assist the department to initiate, implement, and operate the

1 risk management and loss prevention program.

2 Sec. 44.78.020. FUND ESTABLISHED. There is established a risk  
3 management fund for all state departments, agencies, boards and commis-  
4 sions. The risk management fund shall be administered by the depart-  
5 ment in accordance with AS 37.10 for the payment of insurance premiums,  
6 uninsured losses, deductibles, advance payments of insured losses, risk  
7 management service contracts, and other purposes consistent with the  
8 risk management and loss prevention program and considered proper by  
9 the commissioner of administration. The department shall transfer to  
10 an affected agency money appropriated to the risk management fund as  
11 reimbursement for loss or damage as it is needed for repair or replace-  
12 ment of lost or damaged property. All expenses of the risk management  
13 and loss prevention program, including building improvements made and  
14 training programs conducted as part of the risk management and loss  
15 prevention program, shall be financed by the risk management fund and  
16 budgeted in accordance with the Executive Budget Act (AS 37.07). The  
17 department shall report annually to the legislature all activities and  
18 balances of the fund.

19 Sec. 44.78.030. RISK MANAGEMENT FUND FOR REGIONAL EDUCATIONAL  
20 ATTENDANCE AREAS. There is established for regional educational attend-  
21 ance areas a risk management fund separate from but administered in the  
22 same manner as the fund established under AS 44.78.020. The risk  
23 management fund for the regional educational attendance areas shall be  
24 administered by the department for the payment of insurance premiums,  
25 uninsured losses, deductibles, advance payments of insured losses, risk  
26 management service contracts, and other purposes consistent with the  
27 risk management and loss prevention program and considered proper by  
28 the commissioner of administration. All expenses of the risk management  
29 and loss prevention program, including building improvements made and

1 training programs conducted as part of the risk management and loss  
2 prevention program, shall be financed by the risk management fund and  
3 budgeted in accordance with the Executive Budget Act (AS 37.07). The  
4 department shall report annually to the legislature all activities and  
5 balances of the fund.

6 Sec. 44.78.040. LEGISLATIVE APPROPRIATION TO FUNDS. The legis-  
7 lature may appropriate to each risk management fund established amounts  
8 which may be required under this chapter, including but not limited to  
9 amounts received by the state from litigation or settlement of claims  
10 for damage relating to insured or uninsured losses handled by each risk  
11 management fund, and from interest and other returns from investment of  
12 each fund by the commissioner of revenue in accordance with AS 37.10.-  
13 070.

14 Sec. 44.78.050. APPROPRIATIONS TO RISK MANAGEMENT FUND NOT TO  
15 LAPSE. Unless otherwise expressly provided in the Act making the  
16 appropriation, money appropriated to a risk management fund is not an  
17 appropriation under AS 37.25.010. An amount which is appropriated but  
18 which is not required for the purposes of the risk management fund in a  
19 fiscal year remains available for spending in succeeding fiscal years.

20 Sec. 44.78.060. STATE AGENCY RESPONSIBILITY. Nothing in this  
21 chapter relieves a state agency from its statutory responsibilities for  
22 safety and loss prevention enforcement and training.

23 Sec. 44.78.070. DEFINITION. In this chapter, "department" means  
24 the Department of Administration.

25 \* Sec. 5. This Act takes effect July 1, 1981.  
26  
27  
28  
29



#### FISCAL NOTE

Title: An Act Establishing a Risk Management and Loss Prevention Program in State Government; and Providing for an Effective Date.

#### III. ANALYSIS

The goal of Risk Management is to protect the financial integrity of the State from the risk of accidental loss and to provide a safe and secure working environment for State employees. The Risk Management Program takes the combined exposures from all agencies for property, liability, marine and personnel losses. The State retains a major portion of most losses in the form of a deductible. The costs of risk are controlled by purchase of broad coverage insurance and through active loss control and aggressive claims management programs. Risk Management pertaining to the R.E.A.A. schools is limited to those activities involved with property insurance on the State owned facilities. Risk Management through the University of Alaska is involved through the implementation of a Risk Management Program for property and liability coverages. Risk Management provides consulting services to the University and assists them in the implementation and operation of their Risk Management program.

There are no new positions required to administer this change in funding. There are, in fact, no other expenditures which will be required to initiate the three revolving funds. Each fund will be set up through the normal appropriation for FY 81. It is estimated by Risk Management that once the fund is implemented, there will be a reduction in FY 83, FY 84 and FY 85 and that the costs will level off thereafter, adjusted for inflation. For the R.E.A.A. schools, the costs will reduce slightly through FY 84 and then will show the effects of 7% inflation thereafter. For the University, their FY 81 budget is for \$1.0 million and it is anticipated that the funding will show a decline in FY 82, FY 83 and FY 84 and will level off thereafter. The fund will permit an accurate accounting of the activities of each Risk Management program. The funds will also be able to receive receipts generated from third parties, favorable litigation, and the value of any earned interest on the fund. By utilizing the program receipts and continued application of the Loss Control and Claims Management programs, the need for funds should reduce as outlined above. The proper accounting of funds is only one advantage of the revolving fund. It is vitally important that there be a vehicle for holding on to funds until losses are finally settled, which normally takes from two to ten years for liability settlements. The fund will permit the proper settlement of the claims carrying forward reserves and will also provide cash flow advantages to the State by retaining the funds until losses are finally settled, rather than giving them to an insurance company to set up reserves. The fund will also permit transfer to another State agency in the event of a property loss and will also enable that agency to rebuild even if it carries over into a subsequent fiscal year.