Executive Summary

- The Florida State Risk Management Trust Fund provides services that protect state property and workforce members that are exposed to the risk of financial losses through property damage, employee injuries, and alleged negligent or improper acts of state employees.

- The Florida Revenue Estimating Conference forecasts the annual funding that is needed to cover such losses on a fiscal year basis.

- The income of this trust fund is calculated mainly based on information provided by the Division of Risk Management, Department of Financial Services. In FY 06-07, $8.7 million in transfers from the Budget Stabilization Fund (BSF) have been approved according to 216.222(2)(a) and (b), Florida Statutes, to cover the remaining damages caused by hurricanes that hit the state in 2005.

- On the expenditure-side, the most critical item of the Risk Management Trust Fund is the payment to cover casualty losses. This loss payment includes coverage of state workers' compensation, Federal Civil rights settlements, general liability, and state automotive liability. Projected costs are $148.4 million in FY 06-07, $144.9 million in FY 07–08, $149.3 million in FY 08-09, and $154.6 million in FY 09-10. The increase in projected casualty loss payments mainly reflects the start-up costs to transition the medical programs associated with state workers' compensation from the current Managed Care contract with Humana to the new Medical Case Management system starting in 2007.

- The property loss payment is forecast to be $7.6 million in FY 06-07, including payment for the remaining hurricane loss arising from the 2005 hurricanes. Due to the fact that the remaining hurricane loss is much lower than previously estimated, the Division of Risk Management is transferring $6.9 million back to the BSF in FY 06-07. For the other fiscal years in this forecast period, only non-hurricane property loss payments are forecasted.

- In order to cover program costs and maintain a recommended working cash balance of $10 million in each of the forecast years, the casualty premium as an income source needs to increase to $141.6 million in FY07-08, $151.5 million in FY08-09, and $157.2 million in FY 09-10, and the property premium as an income source needs to increase to $13.7 million in each of the three fiscal years.

- Other expenditure items include costs to cover the program's operating expenses, coverage of excess property insurance, contract expenses associated with worker's compensation premiums and worker's compensation managed care.

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference
November 6, 2006

	2005-06	2006-2007		2007-2008		2008-2009		2009-2010	
	Actual	Cur REC Estimates	New REC Estimates	Cur REC Estimates	New REC Estimates	Cur REC Estimates	New REC Estimates	Cur REC Estimates	New REC Estimates
Beginning Cash Balance	33.6	28.2	36.3	9.9	15.6	#N/A	2.4	#N/A	(15.1)
Reserve	0.0								
Balance (available foe use)	33.6	28.2	36.3	9.9	15.6	#N/A	2.4	#N/A	(15.1)
Income									
Premiums: Casualty	135.8	135.8	135.8	135.8	135.8	#N/A	135.8	#N/A	135.8
Property (1)	11.2	11.9	11.9	11.9	11.9	#N/A	11.9	0.0	11.9
Law Vehicles	0.0	0.1	0.0	0.1	0.0	#N/A	0.0	0.0	0.0
Subrogation's	0.6	0.6	0.5	0.6	0.5		0.5		0.5
TTD refunds	5.1	1.6	1.6	1.6	1.6	#N/A	1.6	0.0	1.6
Transfer from BSF (2)	10.6		8.7						
Investment Income	2.9	3.4	3.4	3.4	3.4	#N/A	3.4	0.0	3.4
Total Income	166.3	153.4	161.9	153.4	153.2	#N/A	153.2	#N/A	153.2
Expenditures									
Loss Pmts: Casualty	124.6	138.2	148.4	145.4	144.9	#N/A	149.3	0.0	154.6
Property (3)	10.4	11.9	7.6	1.2	1.6	#N/A	1.4	0.0	1.7
Law Vehicles	0.0	0.1	0.0	0.1	0.0		0.0		0.0
Operating Expenses	6.6	6.9	6.7	7.0	6.8	#N/A	7.0	0.0	7.1
Managed Care	6.8	0.0	0.0	0.0	0.0				
Property Premium	6.7	7.0	7.0	7.0	7.0	#N/A	7.0	0.0	7.0
DWC Assessments	6.9	7.4	6.0	7.4	6.0	#N/A	6.0	0.0	6.0
Transfer to BSF (4)	0.9		6.9						
Refunds	0.8	0.2	0.0	0.2	0.0	#N/A	0.0	0.0	0.0
Total Expenditures	163.7	171.7	182.6	168.3	166.3	#N/A	170.7	0.0	176.4
Net Income	2.6	(18.3)	(20.7)	(14.9)	(13.1)	#N/A	(17.5)	#N/A	(23.2)
Ending Balance (available for use)	36.3	9.9	15.6	(5.0)	2.4	#N/A	(15.1)	#N/A	(38.3)
add Reserve	0.0								
Ending Balance (Including Reserve) (5)	36.3	9.9	15.6	(5.0)	2.4	#N/A	(15.1)	#N/A	(38.3)

(1) The FY07-08 premium projection is for $11.9 million, primarily due to the increased cost of excess property insurance. FY05-06 premiums are net of refunds.

(2) The $8.7 million was transferred from the BSF using the certified forward process and represents the unused transfer authority approved during FY2005-2006.

(3) Remaining losses caused by the 2005 hurricanes will be paid in FY 06-07. The forecast includes $345,000 for regular property loss payments, and $4 million for hurricane loss payments. Of the anticipated property losses, the first $5 million is to be paid from the Risk Management Trust Fund and the remaining will be offset by the BSF funds.

(4) The forecast assumes a transfer of $6.9 million back to the BSF due to decreases in the 2005 hurricane claims, as a result of claims adjustment activities.

(5) For all three forecast years (FY 07-08 to FY09-10), the casualty premium and the property premium as income sources are kept at the current level of $135.8 million and $11.9, respectively; that leaves the ending balance of $2.4 million in FY07-08, negative $15.1 million in FY08-09, and negative $38.3 million in FY09-10. In order to cover program costs and maintain a working cash balance of $10 million in each of these three fiscal years, the casualty premium needs to increase to $141.6 for FY07-08, $151.5 for FY08-09, and $157.2 for FY09-10, and the property premium needs to be increased to $13.7 in each of the three fiscal years.