

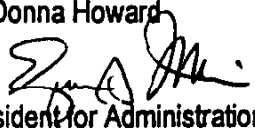


UNIVERSITY OF HAWAII

SENIOR VICE PRESIDENT FOR ADMINISTRATION

September 19, 1997

TO: President/Chancellor Kenneth Mortimer  
Senior Vice President/Executive Vice Chancellor Carol Eastman  
Senior Vice President/Chancellor Joyce Tsunoda  
Interim Senior Vice President/Chancellor William Pearman  
Senior Vice President/Dean Dean Smith  
Vice President Doris Ching  
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Interim Executive Vice Chancellor Joanne Clark  
Vice Chancellor Michael Unebasami  
Director Rodney Sakaguchi  
Interim Director James Manke  
Executive Assistant Judith Inazu  
Secretary of the Board Daniel Ishii  
UHF President Donna Howard

FROM: Eugene S. Imai   
Senior Vice President for Administration

SUBJECT: UPDATE ON IMPLEMENTATION OF JULY 1, 1997 BUDGETARY DELEGATION TO UH  
FOR WORKERS' COMPENSATION AND UNEMPLOYMENT INSURANCE  
COMPENSATION COSTS

As a followup to my July 8, 1997 memorandum on implementing the July 1, 1997 budgetary delegation to the University of Hawai'i for funding workers' compensation (WC) and unemployment insurance compensation (UIC) costs, I would like to inform you of key University developments and directions on this matter.

**UH (versus DAGS) Assessment of Fringe Benefits Contributions for Nongeneral Fund Accounts**

Currently, assessments for the employer's share of fringe benefits for the nongeneral fund payroll are imposed by the State Department of Accounting and General Services (DAGS) based on a chart of accounts designating imposed versus nonimposed accounts. The reason for exempting certain accounts from fringe benefits assessments is not clear. The inequitable treatment among nongeneral fund accounts for purposes of WC and UIC coverage has resulted in direct charges to nonimposed program accounts for 100% of all

claims arising from their employees, as opposed to regular payroll assessments limited to the employer's "self-insurance premiums."

To promote more equitable UIC and WC coverage and prudent risk management, the University—rather than DAGS—will assume responsibility for assessing the employer's share of WC and UIC contributions against all nongeneral fund accounts effective with the September 30, 1997 payroll. These assessments should appear on the September 30, 1997 FMIS reports. DAGS will continue to handle assessments for all other fringe benefits such as health insurance and retirement benefits.

In addition, possibly as early as October 1997, the University will impose a one-time retroactive assessment for WC and UIC against those nongeneral fund accounts which were not assessed for pay periods ending July 15, 1997 through September 15, 1997, except where prohibited by federal regulation. The federal fund accounts which will remain "nonimposed" or exempt from fringe benefits assessments are those included in the following appropriation codes: F 223, F 230, and F 260-279.

All nongeneral fund program accounts which were previously not contributing WC and UIC self-insurance premiums, and were thus required to fully fund the cost of their employee claims, will now be reimbursed for those claims payments following the retroactive assessment of self-insurance premiums. The negotiated rates in effect for the budget period effective July 1, 1997 are 0.57% of all salaries and wages for WC; and 1.16% of salaries and wages for UIC, excluding undergraduate and graduate students as they are not eligible for UIC coverage.

#### **General Fund Appropriation and Contingency Reserve**

The US Department of Health and Human Services (DHHS), the University's federal cognizant agency, has approved the provisional use by the University of the State's WC and UIC assessment rates pending analysis of the UH loss experience following the July 1, 1997 separation from the State of Hawai'i risk management pool. The provisional approval was granted on the basis that all fund sources will contribute self-insurance premiums at a uniform rate representing their proportionate share of liability. As you know, the FY 1997-98 general fund appropriation to the University for workers' compensation costs falls short not only of the uniform rate of 0.57% of the estimated general fund payroll; but of the projected claims payout as well. It is our intent to take several measures to cover the projected funding shortfall in FY 1997-98 for workers' compensation costs:

1. Set aside a general fund contingency reserve through internal reallocation. Specific details are not available pending release by the Governor of the University's FY 1997-98 allocation.
2. Submit a 1998 legislative proposal for an emergency appropriation to cover unfunded general fund workers' compensation costs projected for the current FY 1997-98.

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Despite the University's intent to provide centralized subsidy of the projected general fund shortfall for WC, it is incumbent on each program manager to take all steps possible to minimize workers' compensation claims.

There are no developments on unemployment insurance contingency reserves to report at this time. However, as more data become available on the University's loss experience, assessment rates for future periods will be adjusted accordingly.

c: Myrtle Ching-Rappa  
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