Agency Recommendation Summary

Increased funding is needed for the Self-Insurance Liability Program (SILA) due to increased costs for excess liability insurance policies, legal defense fees, and liability settlements and judgments resulting from tort claims made against state agencies and employees.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Operating Expenditures						
Fund 547 - 6	$29,459	$29,458	**$58,917**	$29,459	$29,458	**$58,917**
Total Expenditures	**$29,459**	**$29,458**	**$58,917**	**$29,459**	**$29,458**	**$58,917**
Revenue						
547 - 0496	$188,774	$29,458	**$218,232**	$29,459	$29,458	**$58,917**
Total Revenue	**$188,774**	**$29,458**	**$218,232**	**$29,459**	**$29,458**	**$58,917**

Decision Package Description

Washington is self-insured for the tortious conduct of its agencies and employees (RCW 4.92.130). Settlements, judgements, and defense costs arising from tort claims are paid from the SILA account. The fund also pays for premiums on the state's excess liability insurance policies to protect the state in the event of extraordinarily large claims. The Department of Enterprise Services Office of Risk Management (DES ORM) receives and processes all tort claims made against the state.

DES ORM commissions an independent actuarial study every two years that provides recommended funding levels for the anticipated expenditures from the SILA account for the next biennium. The estimate is based in part upon loss history and pending claims and it employs sound actuarial principles as required by RCW 4.92.130(4). The actuarial study also recommends premium allocations for each state agency's portion of the anticipated expenditures from the fund. These premium allocation recommendations are intended to incentivize loss prevention within the agencies.

After reviewing pending claims, the actuary calculated that the state's outstanding tort liability is $2.5 Billion as of June 30, 2024. To fund the claims that will be settled in the 2025-27 biennium, the actuary recommends an increased funding amount of $58.9 Million. The actuary's report is attached.

Additionally, expenditures resulting from tort claims against state agencies have significantly surpassed the premiums paid into the account in Fiscal Year 2024 of the 2023-25 biennium. As custodians of this account, we request $159.3M of one-time funding to recover the loss that occurred in Fiscal Year 2024 and to help return the SILA account to a positive cash balance.

Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

This request does not expand or alter a current program or service.

Detailed Assumptions and Calculations:

Ongoing Funding Request

The request to increase ongoing SILA funding is based on the recommendations of an independent actuarial review of claims history and pending claims. The actuary is recommending total SILA funding of $390M, which is an increase of $58.9 Million for the 2025-27 biennium.

Self-Insurance Liability Program (SILA) Premium Funding in the Central Service Model

	FY1	FY2	BI TOTAL
Enacted 23-25 CSM Funding [*1]	$ 165,385,000	$ 165,385,000	$ 330,770,000
23-25 Carry Forward CSM	**$ 165,385,000**	**$ 165,385,000**	**$ 330,770,000**
Actuary's recommended increase [*2]	$ 29,459,000	$ 29,458,000	$ 58,917,000
Total Increase	**$ 29,459,000**	**$ 29,458,000**	**$ 58,917,000**
25-27 Central Service Model	**$ 194,844,000**	**$ 194,843,000**	**$ 389,687,000**

Note *1: $330.77M covered by agencies included in the CSM, $137K covered by the commodity commission agencies that are not included in the CSM. Total 23-25 SILA funding is 330.9M.

Note *2: Actuary recommended $390M SILA funding for 25-27 biennium. $389.69M to be covered by agencies included in the CSM, $313K to be covered by the commodity commission agencies that are not included in the CSM. $58.9M recommended increase for the CSM.

One-Time Funding Request

The request for one-time funding to the SILA account is based on the net loss that has occurred in Fiscal Year 2024 (FY24). The actuary study we received last biennium had recommended DES set SILA premium funding at $325M to cover anticipated expenditures for the 2023-25 biennium. However, SILA expenditures for FY24 alone have already exceeded $325M. The number of claims, as well as the associated costs, have been substantially higher for FY24 than was expected. As of Fiscal Month 12, the SILA account is at a net loss of $159.3M. Additional funding is needed to offset this loss.

The table below shows the revenue, expenditures, cash receipts, and cash disbursements recorded in the SILA account for FY24. The values exclude accrued expenditures for short-term and long-term liability adjustments. The positive net income in FM01 and subsequent positive net cash flow in FM04 is due to the billing and collection of annual premiums.

Fund 547 - Liability Account
Revenue and Expenditures

	FM01	FM02	FM03	FM04	FM05	FM06	FM07	FM08	FM09	FM10	FM11	FM12	FY24 Total
CSM Self Insurance Liability Premium	165,378,885					(500)							165,378,385
Commissions Self Insurance Liability Premiums	68,588												
Broker Fees	10,653	10,653	10,653	10,653	10,653	10,653	10,653	10,653	10,653	10,653	10,653	10,653	127,836
Indemnity Payment Recovery - Other Sources		123,000	204,527		200,000	550,688	79,092	7,606	7,675,000	504,784		8,160,191	17,504,888
Misc. Recovery of Expenditures								14,352					
Total Revenues	**165,458,126**	**133,653**	**215,180**	**10,653**	**210,653**	**560,841**	**89,745**	**32,611**	**7,685,653**	**515,437**	**10,653**	**8,170,844**	**183,094,048**
Monthly Expenditures													
SAAG	1,808,851	952,395	928,684	1,523,986	985,975	1,384,292	1,581,399	1,725,187	1,665,882	1,679,480	1,625,643	1,935,304	17,797,078
ATG Defense	0	2,190,079	2,413,782	2,477,713	2,694,822	2,905,903	2,673,584	2,733,974	2,591,620	2,681,287	2,754,084	2,717,756	28,834,603
Excess Liability Insurance	16,539,067	(520,992)	10,769	10,769	10,769	10,769	10,878	10,878	10,878	10,878	10,878	10,878	16,126,419
Claim Payments	37,798,330	10,469,201	26,442,326	13,344,524	12,487,426	32,452,977	22,914,729	14,476,297	8,004,686	45,962,439	19,107,257	36,190,895	279,651,090
Total Expenditures	**56,146,248**	**13,090,683**	**29,795,561**	**17,356,992**	**16,178,992**	**36,753,941**	**27,180,590**	**18,946,336**	**12,273,067**	**50,334,084**	**23,497,863**	**40,854,833**	**342,409,191**
Net Incomes (Loss)	**109,311,878**	**(12,957,030)**	**(29,580,381)**	**(17,346,339)**	**(15,968,339)**	**(36,193,101)**	**(27,090,845)**	**(18,913,725)**	**(4,587,414)**	**(49,818,648)**	**(23,487,210)**	**(32,683,989)**	**(159,315,142)**

Fund 547 - Liability Account
Cash Balance

	FM01	FM02	FM03	FM04	FM05	FM06	FM07	FM08	FM09	FM10	FM11	FM12
Beginning Cash Balance	(135,286,221)	(173,417,615)	(176,883,796)	(191,847,583)	(90,390,913)	(103,737,144)	(139,905,765)	(165,540,381)	(186,996,374)	(198,622,482)	(248,608,251)	(271,823,763)
Cash Receipts	8,260,295	18,492,018	17,197,404	123,631,514	788,898	747,776	1,644,213	33,111	685,949	517,264	43,001	99,049,992
Cash Disbursements	(46,391,689)	(21,958,199)	(32,161,191)	(22,174,844)	(14,135,130)	(36,916,397)	(27,278,829)	(21,489,104)	(12,312,056)	(50,503,032)	(23,258,514)	(41,313,864)
Net Cash Flow	(38,131,394)	(3,466,181)	(14,963,787)	101,456,670	(13,346,231)	(36,168,621)	(25,634,616)	(21,455,993)	(11,626,108)	(49,985,769)	(23,215,512)	57,736,128
Ending Cash Balance	**(173,417,615)**	**(176,883,796)**	**(191,847,583)**	**(90,390,913)**	**(103,737,144)**	**(139,905,765)**	**(165,540,381)**	**(186,996,374)**	**(198,622,482)**	**(248,608,251)**	**(271,823,763)**	**(214,087,635)**

Additional detail is provided in the attached workbook.

Workforce Assumptions:

Not applicable, as this request does not include FTEs.

Historical Funding:

The Department of Enterprise Services has historical funding of $330,770,000 for SILA for the 2025-27 biennium.

Strategic and Performance Outcomes

Strategic Framework:

This request aligns with DES Goal #4:

- Reduce government risk and add value through our stewardship and services.
- Mitigate financial, legal, safety and security risks for our customers.
- Provide valuable business solutions and services.

Performance Outcomes:

This request is related to activity B006, Risk Management.

Equity Impacts

Community Outreach and Engagement:

No answer was provided.

Disproportional Impact Considerations:

No answer was provided.

Target Communities and Populations:

No answer was provided.

Community Inputs and Incorporation:

No answer was provided.

Other Collateral Connections

HEAL Act Agencies Supplemental Questions

N/A - no impact.

Puget Sound Recovery:

N/A - no impact.

State Workforce Impacts:

N/A - no impact.

Intergovernmental:

N/A - no impact.

Stakeholder Impacts:

N/A - no impact.

State Facilities Impacts:

N/A - no impact.

Changes from Current Law:

N/A - no impact.

Legal or Administrative Mandates:

N/A - no impact.

Governor's Salmon Strategy:

N/A - no impact.

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure *Dollars in Thousands*	**Fiscal Years**		**Biennial**	**Fiscal Years**		**Biennial**
	2026	**2027**	**2025-27**	**2028**	**2029**	**2027-29**
Obj. E	$29,459	$29,458	**$58,917**	$29,459	$29,458	**$58,917**

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