



# ***Legislative Appropriations Request for Fiscal Years 2020 and 2021***

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Submitted to the  
Office of the Governor, Budget Division,  
and the Legislative Budget Board

by

**STATE OFFICE of RISK MANAGEMENT**

August 17, 2018



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## **Administrator's Statement**

The mission of the State Office of Risk Management (Office) is to provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the State's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

The primary focus of this legislative appropriation request for the biennium beginning September 1, 2019 is to protect safety and health of the State's employees and assets by implementing risk-based approaches for identifying exposures and emphasizing strategies intended to reduce financial and performance losses at client agencies, while continuing to support the fiscal controls that have reduced the State's costs by over \$30 million per year.

### **AGENCY BACKGROUND**

The Office was established in 1997 by the 75th Legislature and is administratively attached to the Office of the Attorney General. The Office is governed by a five-member Board and is charged by law to operate as a full-service risk and insurance manager for state agencies, including the enterprise risk and insurance management programs, the continuity of government operations program, and the self-insured government employees workers' compensation program.

The Office provides services to all state entities subject to Chapters 412 and 501 of the Texas Labor Code. Texas A&M and University of Texas systems, and the Texas Department of Transportation are not subject to these provisions as they operate separate workers' compensation and risk management programs pursuant to Texas Labor Code Chapters 502, 503, and 505, respectively. Other entities, such as the Texas Tech University System, the Texas State University System, the Employee Retirement System, and the Teacher Retirement System have special provisions. The Office also provides public policy-based benefits for certain law enforcement and emergency response personnel providing services to the State of Texas.

## **AGENCY FUNDING SOURCES**

The Office receives no General Revenue and is funded solely by Interagency Contracts (IAC) with jurisdictional entities. Annual assessments, similar to premiums, are determined by a formula based on historic FTE, payroll, claims, and claims cost data. The shift to IAC funding in 2009 has had the effect of removing the cost of the Office's operations from General Revenue and shifting those costs proportionately to the agencies that the Office services. Costs borne by state agencies have been offset by the reductions in claims losses resulting from the Office's financial controls.

## **EXCEPTIONAL ITEMS**

The Board of Directors of the State Office of Risk Management has directed the Office to seek one exceptional item on the Board's behalf.

Increase in Board Authority to Compensate Executive Director: The Executive Director position is currently classified as Group 3, with a range of \$92,600 to \$149,240; however, the Board's actual authority is limited by the GAA to \$139,582. This authority is significantly below the position's market average. The Board is seeking a reclassification to Group 4 with a maximum salary authorization to \$171,688, consistent with the SAO's 2016 Report on Executive Compensation at State Agencies, or as supplanted by the SAO's pending 2018 report. This request is to address the salary compression issues identified by the SAO and to attract and retain a qualified person in the future to serve as Executive Director of the Office, consistent with its mandates under law. Authorizing this exceptional item request would have no effect on GR or other appropriations in the base bill.

## **AGENCY ADMINISTRATION**

The Office is governed by a five-member Board appointed by the Governor. Members of the Board serve staggered terms of six years.

Lloyd M. Garland, M.D., Chair  
Lubbock, Texas

Term to expire February 1, 2021

John Youngblood

Cameron, Texas

Term to expire February 1, 2019

Rosemary Gammon, PAHM

Plano, Texas

Term to expire February 1, 2021

Tomas Gonzalez

El Paso, Texas

Term to expire February 1, 2017

Gerald Ladner, Sr.

Austin, Texas

Term to expire February 1, 2021

Rulemaking authority to implement Chapters 412 and 501 of the Texas Labor Code is vested with the Board, including adopting rules relating to reporting requirements for covered entities. The Board reports to each Legislature on the methods to reduce the exposure of state agencies to the risks of property and liability losses, including workers' compensation losses; the operation, financing, and management of those risks; and the handling of claims brought against the State. The Board is also responsible for oversight and for hiring the Executive Director of the Office, who manages agency operations.

### **Summary of Injuries and Claims per Section 501.048, Texas Labor Code**

Pursuant to the requirements of Section 501.048, Texas Labor Code, the following summary information is provided relating to the injury reports and workers' compensation claims from the State Office of Risk Management.

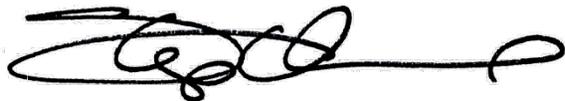
Fiscal Year	Number of First Reports of Injury	Medical Benefits Paid	Indemnity Benefits Paid	Number of Injuries per 100 FTEs
2017	2	\$10,661	\$0	1.82
2018	4	\$2,565	\$0	3.66
Biennium Total	6	\$13,226	\$0	2.73

Respecting job safety and reduction of injuries, the Office is especially active in the implementation and promulgation of health and safety policies and guidelines, both externally in providing training and resources to client entities and the general public and internally through participation of all levels of staff in related industry training and professional membership opportunities.

**Conclusion**

Effective oversight is the key to protecting the State’s employees and resources while minimizing losses. The Office looks forward to presenting its appropriation request during the session.

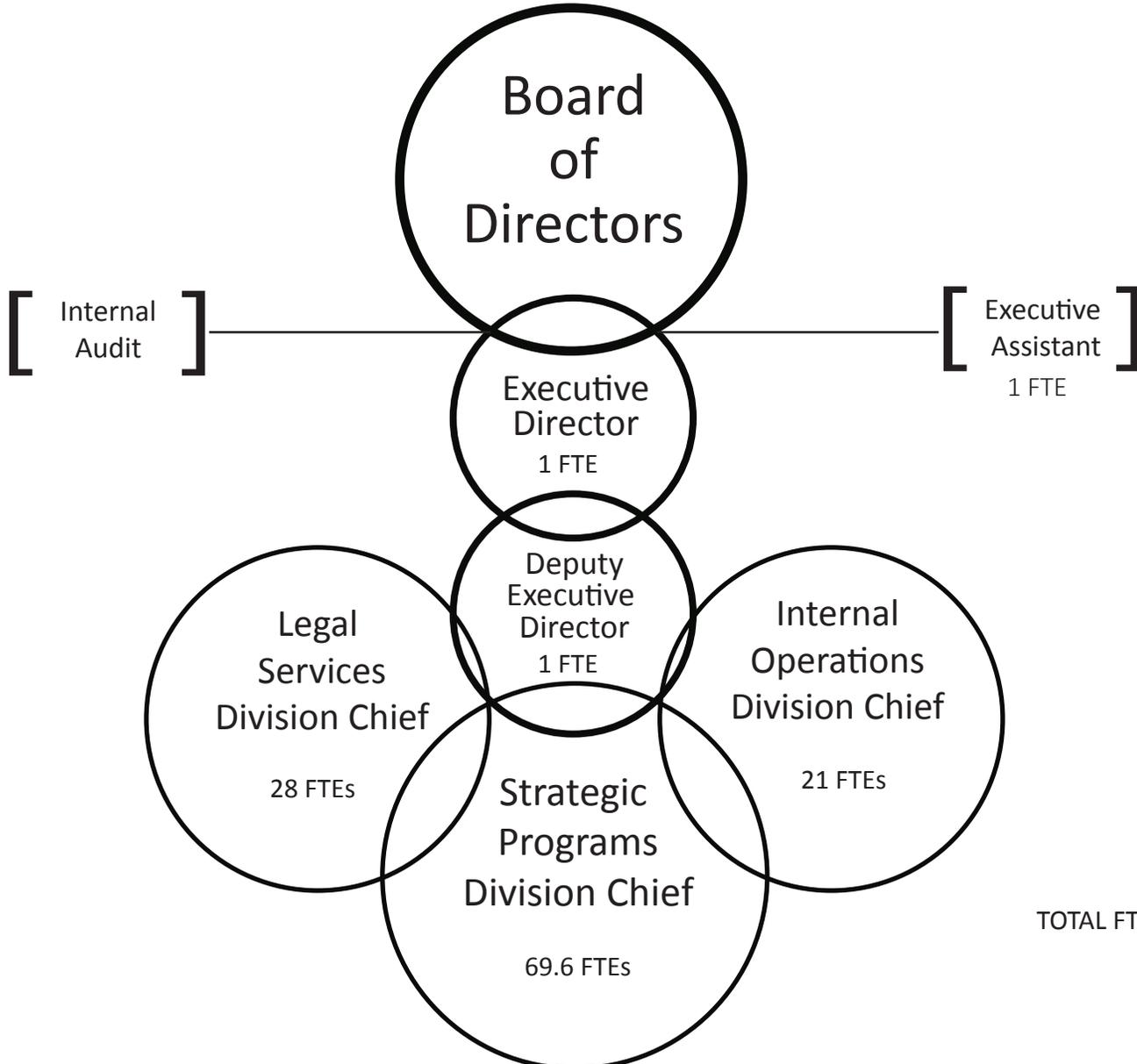
Respectfully,



Stephen S. Vollbrecht,  
 J.D., M.A., AINS, AIS, MCP, MEMS  
 State Risk Manager, Executive Director  
 Texas State Office of Risk Management

# SORM

State Office of Risk Management



TOTAL FTEs: 121.6

## **Descriptions of Functional Units**

### **Board of Directors:**

The Board's duties are to implement Chapters 412 and 501 of the Texas Labor Code to enable State of Texas agencies to protect their employees, the general public, and the State's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner. The Board accomplishes these goals by adopting rules, authorizing assessments of client agencies, and reporting to the Legislature. The Board is also responsible for hiring the Executive Director.

### **Executive Management:**

Executive management consists of the Executive Director, Deputy Executive Director, and three Division Chiefs. The Executive Director's duties are described at Texas Labor Code §412.041. The Director serves as the State Risk Manager and administrator of all statutory programs, and is responsible for the day-to-day oversight of all the agency's functions, with the Deputy and Division Chiefs with delegated responsibilities.

### **Strategic Programs Division:**

The Strategic Programs Division is comprised of four departments: Enterprise Risk, Claims Operations, Document Processing, and Communications and Development.

The Enterprise Risk department provides enterprise risk management, insurance, and continuity of operations planning (COOP) services to client agencies. SORM's Risk Managers assist state agencies in establishing and maintaining risk management programs to protect state employees, state assets, and the public served; they also support the insurance, COOP, and workers' compensation programs. SORM's Insurance Managers develop and administer insurance programs to transfer the financial risk of the state, and provide consultative insurance services to our clients. In coordination with the Office of Homeland Security, Texas Division of Emergency Management, and Department of Information Resources, SORM's Continuity Planner assists agencies with the implementation of the Continuity of Operations Planning.

The State is self-insured for the purposes of workers' compensation. Claims Operations performs initial file investigations of each reported injury, determines compensability, and processes medical and indemnity benefits. Claims examiners handle all aspects of claims as required by law and policy.

Document Processing is responsible for the initial setup and data entry of injury claims received, as well as the maintenance of all inactive claim files, and general document management.

Communications and Development is responsible for training, media, and business communications. The department focuses on internal and external training, client and vendor relations, website services, video production, marketing, and public/business correspondence.

**Legal Services Division:**

The Legal Services Division is comprised of three departments: Litigation, Special Investigations, and Compliance and Practices.

The Litigation Management department is responsible for presenting and directing SORM's defenses during various administrative dispute resolution processes. Litigation also monitors and assists the Tort Litigation Division of the Office of the Attorney General when it represents the agency in administrative and judicial proceedings.

The Special Investigations department focuses on subrogation, medical recovery, and fraud investigation. This Section is responsible for the recovery of workers' compensation benefits, medical costs, and other expenses paid on behalf of state employees injured in the course and scope of employment due to the negligence of a third party. Medical recovery focuses on recovering monies from health care providers due to billing errors and coordinates with our two investigators in identifying fraudulent practices by injured workers and/or providers. They coordinate with various district attorneys across the State to recover these funds.

The Compliance and Practices department focuses on the review and updating of existing policies and procedures. The department also provides quality assurance by auditing claims for compliance with all statutory and policy requirements, and tracking overpayments, both statutory and errors. In addition, the department manages contracts, customer complaint/ethics, and open record functions. The department also provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies, and track relevant legislation and respond to Legislative inquiries. Finally, the department works with executive management to comment and educate on proposed rules and legislation.

**Internal Operations Division:**

The Internal Operations Division consists of three departments: Accounting and Finance, Human Resources, and Information Technology.

Accounting and Finance processes and issues approved workers' compensation medical and indemnity payments to claimants and medical providers, including the cancellation, re-issue, and correction of warrants. This division also administers the assessment program which allocates the amounts to participating state agencies for the costs of operating the agency, including processing workers' compensation claims. A&F provides all accounting and budget functions for the agency in coordination with the Office of Attorney General (OAG) Accounting and Budget Divisions.

Human Resources serves as a liaison between the Office and the full OAG HR division and the Office's Legal Services Division, and is responsible for personnel action and leave accounting.

Information Technology maintains RMIS, CMS and other agency systems and interfaces; monitors and provides data; and oversees and responds to security issues. The support staff conducts all agency hardware and software maintenance; monitors software licensing; maintains user access; maintains passwords; and interfaces with OAG ITS.



## CERTIFICATE

**Agency Name** State Office of Risk Management

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2018-19 GAA).

**Chief Executive Officer or Presiding Judge**

Handwritten signature of Stephen S. Vollbrecht.

Signature

Stephen S. Vollbrecht

Printed Name

State Risk Manager, Executive Director

Title

August 17, 2018

Date

**Board or Commission Chair**

Handwritten signature of Lloyd M. Garland, M.D.

Signature

Lloyd M. Garland, M.D.

Printed Name

Board Chair

Title

August 17, 2018

Date

**Chief Financial Officer**

Handwritten signature of Stuart B. Cargile.

Signature

Stuart B. Cargile

Printed Name

Division Chief of Internal Operations, CFO

Title

August 17, 2018

Date



**Budget Overview - Biennial Amounts**  
**86th Regular Session, Agency Submission, Version 1**  
Automated Budget and Evaluation System of Texas (ABEST)

479 State Office of Risk Management  
Appropriation Years: 2020-21

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS	
	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2020-21	
	<b>Goal: 1. Manage Claim Costs and Protect State Assets</b>											
1.1.1. Enterprise Risk Mgmt/Claims Admin							21,410,699	21,410,699	21,410,699	21,410,699		
<b>Total, Goal</b>							<b>21,410,699</b>	<b>21,410,699</b>	<b>21,410,699</b>	<b>21,410,699</b>		
<b>Goal: 2. Workers' Compensation Payments: Estimated and Nontransferable</b>												
2.1.1. Workers' Compensation Payments							85,635,500	85,635,500	85,635,500	85,635,500		
<b>Total, Goal</b>							<b>85,635,500</b>	<b>85,635,500</b>	<b>85,635,500</b>	<b>85,635,500</b>		
<b>Total, Agency</b>							<b>107,046,199</b>	<b>107,046,199</b>	<b>107,046,199</b>	<b>107,046,199</b>		
<b>Total FTEs</b>									<b>121.6</b>	<b>121.6</b>		<b>0.0</b>

2.A. Summary of Base Request by Strategy

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86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

479 State Office of Risk Management

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>1</u> Manage Claim Costs and Protect State Assets					
<u>1</u> Risk Management and Claims Administration					
<b>1 ENTERPRISE RISK MGMT/CLAIMS ADMIN</b>	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350
<b>TOTAL, GOAL            1</b>	<b>\$9,571,867</b>	<b>\$10,356,799</b>	<b>\$11,053,900</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>
<u>2</u> Workers' Compensation Payments: Estimated and Nontransferable					
<u>1</u> Workers' Compensation Payments: Estimated and Nontransferable					
<b>1 WORKERS' COMPENSATION PAYMENTS</b>	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750
<b>TOTAL, GOAL            2</b>	<b>\$39,340,866</b>	<b>\$42,067,750</b>	<b>\$43,567,750</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>

2.A. Summary of Base Request by Strategy

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479 State Office of Risk Management

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>METHOD OF FINANCING:</u>					
<b>General Revenue Funds:</b>					
1 General Revenue Fund	0	0	0	0	0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Funds:</b>					
666 Appropriated Receipts	1,177	900	0	0	0
777 Interagency Contracts	48,278,283	51,855,899	54,053,900	52,955,349	52,955,350
8052 Subrogation Receipts	633,273	567,750	567,750	567,750	567,750
<b>SUBTOTAL</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>

\*Rider appropriations for the historical years are included in the strategy amounts.

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: <b>479</b>		Agency name: <b>State Office of Risk Management</b>				
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>						
<b><u>666</u></b>	Appropriated Receipts					
	<i>REGULAR APPROPRIATIONS</i>					
	H.B. 1, 84th Leg., R.S. Art IX, Sec 8.02 Page IX-43 (2016-17 GAA)	\$1,177	\$0	\$0	\$0	\$0
	<b>Comments:</b> Manage Risk & Administer Claims (Goal A)					
	S.B. 1, 85th Leg., R.S. Art IX, Sec 8.02 Page IX-43 (2018-19 GAA)	\$0	\$900	\$0	\$0	\$0
	<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					
<b>TOTAL,</b>	<b>Appropriated Receipts</b>	<b>\$1,177</b>	<b>\$900</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>777</u></b>	Interagency Contracts					
	<i>REGULAR APPROPRIATIONS</i>					
	H.B. 1, 84th Leg., R.S. Art I, Page I-84 (2016-17 GAA)	\$11,123,201	\$0	\$0	\$0	\$0
	<b>Comments:</b> Manage Risk & Administer Claims (Goal A)					
	H.B. 1, 84th Leg., R.S. Art I, Page I-84 (2016-17 GAA)	\$39,300,853	\$0	\$0	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: <b>479</b>	Agency name: <b>State Office of Risk Management</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>					
<b>Comments:</b> Workers' Compensation Payments (Goal B)					
S.B. 1, 85th Leg., R.S. Art I, Page I-82 (2018-19 GAA)	\$0	\$11,004,899	\$11,004,900	\$0	\$0
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					
S.B. 1, 85th Leg., R.S. Art I, Page I-82 (2018-19 GAA)	\$0	\$39,225,415	\$39,225,415	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)					
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$0	\$0	\$10,705,349	\$10,705,350
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$0	\$0	\$42,250,000	\$42,250,000
<b>Comments:</b> Workers' Compensation Payments (Goal B)					

*RIDER APPROPRIATION*

S.B. 1, 85th Leg., R.S., Art IX, Sec 15.02, Para C, Page IX-72 (2018-19 GAA)

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

Agency code: <b>479</b>	Agency name: <b>State Office of Risk Management</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>					
	\$0	\$3,774,585	\$3,774,585	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)					
<i>TRANSFERS</i>					
H.B. 1, 84th Leg., R.S., Art IX, Section 18.02, Pg IX-81, 2.5% salary increase					
	\$115,196	\$0	\$0	\$0	\$0
<b>Comments:</b> Manage Risk & Administer Claims (Goal A)					
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriation-Authority Only (2016-17 GAA) for UB in					
	\$(1,383,634)	\$0	\$0	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)					
Lapsed Appropriation- Authority Only (2016-17 GAA) for UB in					
	\$(1,337,329)	\$0	\$0	\$0	\$0
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					
Savings Due to Hiring Freeze					
	\$(397,859)	\$0	\$0	\$0	\$0
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

Agency code: <b>479</b>	Agency name: <b>State Office of Risk Management</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>					
<i>UNEXPENDED BALANCES AUTHORITY</i>					
SB 1, 85th Leg, Article IX, section 14.03 (i) (2016-17 GAA) Capital Budget	\$0	\$(49,000)	\$49,000	\$0	\$0
<b>Comments:</b> Manage Risk & Administer Claims (Goal A)					
H.B. 1, 84th Leg., R.S., Rider 4, Page I-85 (2016-17 GAA)	\$1,750,654	\$0	\$0	\$0	\$0
<b>Comments:</b> Manage Risk & Administer Claims (Goal A)					
H.B. 1 84th Leg., R.S. Art IX, Section 15.02, Para H, Page IX-71 (2016-17 GAA)	\$1,383,634	\$0	\$0	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)					
S.B. 1, 85th Leg., R.S., Rider 3, Page I-83 (2018-19 GAA) cash transfer to FY18	\$(1,683,173)	\$0	\$0	\$0	\$0
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)					
S.B. 1 85th Leg., R.S. Art IX, Sec 15.02, Para H, Page IX-73 (2018-19 GAA) cash transfer to FY18	\$(593,260)	\$0	\$0	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: <b>479</b>	Agency name: <b>State Office of Risk Management</b>					
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>						
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
S.B. 1, 85th Leg., R.S., Rider 5, Page I-83 (2018-19 GAA) cash transfer to FY19						
		\$0	\$(600,000)	\$0	\$0	\$0
<b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)						
S.B. 1 85th Leg., R.S. Art IX, Sec 15.02, Para H, Page IX-73 (2018-19 GAA) cash transfer to FY19						
		\$0	\$(1,500,000)	\$0	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
<b>TOTAL,</b>	<b>Interagency Contracts</b>	<b>\$48,278,283</b>	<b>\$51,855,899</b>	<b>\$54,053,900</b>	<b>\$52,955,349</b>	<b>\$52,955,350</b>
<b><u>8052</u></b>	Subrogation Receipts					
	<i>REGULAR APPROPRIATIONS</i>					
H.B. 1, 84th Leg., R.S. Art I, Page I-83 (2016-17 GAA)						
		\$567,750	\$0	\$0	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
S.B. 1, 85th Leg., R.S., Art I, Page I-82 (2018-19 GAA)						
		\$0	\$567,750	\$567,750	\$0	\$0

2.B. Summary of Base Request by Method of Finance  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

Agency code: 479		Agency name: State Office of Risk Management				
METHOD OF FINANCING		Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<b><u>OTHER FUNDS</u></b>						
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
Regular Appropriations from MOF Table (2020-21 GAA)						
		\$0	\$0	\$0	\$567,750	\$567,750
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
<i>RIDER APPROPRIATION</i>						
H.B. 1, 84th Leg., R.S. Art IX, Sec 15.02 (g) Pg IX-71 (2016-17 GAA)						
		\$65,523	\$0	\$0	\$0	\$0
<b>Comments:</b> Workers' Compensation Payments (Goal B)						
<b>TOTAL,</b>	<b>Subrogation Receipts</b>	<b>\$633,273</b>	<b>\$567,750</b>	<b>\$567,750</b>	<b>\$567,750</b>	<b>\$567,750</b>
<b>TOTAL, ALL</b>	<b>OTHER FUNDS</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>GRAND TOTAL</b>		<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
Agency code: <b>479</b> Agency name: <b>State Office of Risk Management</b>					
<b>FULL-TIME-EQUIVALENT POSITIONS</b>					
REGULAR APPROPRIATIONS					
H.B. 1, 84th Leg., R.S. Art I, Page I-83 (2016-17 GAA) <b>Comments:</b> Manage Risk & Administer Claims (Goal A)	121.6	0.0	0.0	0.0	0.0
S.B. 1, 85th Leg., R.S., Art I, Page I-82 (2018-19 GAA) <b>Comments:</b> Enterprise Risk Mgmt/Claims Admin (Goal A)	0.0	121.6	121.6	0.0	0.0
Regular Appropriations from MOF Table (2020-21 GAA) <b>Comments:</b> Manage Risk & Administer Claims (Goal A)	0.0	0.0	0.0	121.6	121.6
UNAUTHORIZED NUMBER OVER (BELOW) CAP					
H.B. 1, 84th Leg., R.S. Art I, Page I-83 (2016-17 GAA)- Lapsed due to turnover <b>Comments:</b> Manage Risk & Administer Claims (Goal A)	(4.4)	0.0	0.0	0.0	0.0
Savings Due to Hiring Freeze <b>Comments:</b> Manage Risk & Administer Claims (Goal A)	(7.2)	0.0	0.0	0.0	0.0
S.B. 1, 85th Leg., R.S., Art I, Page I-82 (2018-19 GAA)- Lapsed due to turnover <b>Comments:</b> Manage Risk & Administer Claims (Goal A)	0.0	(8.7)	0.0	0.0	0.0
<b>TOTAL, ADJUSTED FTES</b>	<b>110.0</b>	<b>112.9</b>	<b>121.6</b>	<b>121.6</b>	<b>121.6</b>

**2.B. Summary of Base Request by Method of Finance**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

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Agency code: **479**

Agency name: **State Office of Risk Management**

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**METHOD OF FINANCING**

**Exp 2017**

**Est 2018**

**Bud 2019**

**Req 2020**

**Req 2021**

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**NUMBER OF 100% FEDERALLY FUNDED  
FTEs**

2.C. Summary of Base Request by Object of Expense  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

479 State Office of Risk Management

OBJECT OF EXPENSE	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1001 SALARIES AND WAGES	\$6,270,301	\$6,357,238	\$7,011,149	\$7,011,149	\$7,011,149
1002 OTHER PERSONNEL COSTS	\$400,687	\$450,000	\$450,000	\$450,000	\$450,000
2001 PROFESSIONAL FEES AND SERVICES	\$1,178,307	\$1,818,254	\$1,818,254	\$1,818,254	\$1,818,254
2003 CONSUMABLE SUPPLIES	\$20,862	\$38,434	\$38,434	\$38,434	\$38,434
2004 UTILITIES	\$5,923	\$6,058	\$6,058	\$6,058	\$6,058
2005 TRAVEL	\$156,035	\$135,000	\$135,000	\$135,000	\$135,000
2006 RENT - BUILDING	\$720	\$720	\$720	\$720	\$720
2007 RENT - MACHINE AND OTHER	\$21,496	\$21,863	\$21,863	\$24,000	\$24,000
2009 OTHER OPERATING EXPENSE	\$40,858,402	\$43,596,982	\$45,042,172	\$44,039,484	\$44,039,485
5000 CAPITAL EXPENDITURES	\$0	\$0	\$98,000	\$0	\$0
<b>OOE Total (Excluding Riders)</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>

**2.D. Summary of Base Request Objective Outcomes**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas (ABEST)

8/17/2018 3:41:54PM

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**479 State Office of Risk Management**

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Goal/ Objective / Outcome	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1 Manage Claim Costs and Protect State Assets					
1 Risk Management and Claims Administration					
<b>KEY</b> <b>1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b>					
	3.37%	3.36%	3.60%	3.55%	3.55%
<b>KEY</b> <b>2 Cost of Workers' Compensation Per Covered State Employee</b>					
	239.29	254.01	252.00	252.00	252.00
<b>KEY</b> <b>3 Cost of Workers' Compensation Coverage Per \$100 State Payroll</b>					
	0.55	0.56	0.60	0.60	0.60

**2.E. Summary of Exceptional Items Request**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/17/2018  
 TIME : 3:41:54PM

Agency code: 479

Agency name: **State Office of Risk Management**

Priority	Item	2020			2021			Biennium	
		GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds
1	Board Authority for E.D. salary		\$0			\$0			\$0
<b>Total, Exceptional Items Request</b>			<b>\$0</b>			<b>\$0</b>			<b>\$0</b>

**Method of Financing**

General Revenue

General Revenue - Dedicated

Federal Funds

Other Funds

		0		0		0		0
		<b>\$0</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>		<b>\$0</b>

**Full Time Equivalent Positions**

**Number of 100% Federally Funded FTEs**

**2.F. Summary of Total Request by Strategy**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/17/2018  
 TIME : 3:41:54PM

Agency code: 479 Agency name: State Office of Risk Management

<b>Goal/Objective/STRATEGY</b>	<b>Base 2020</b>	<b>Base 2021</b>	<b>Exceptional 2020</b>	<b>Exceptional 2021</b>	<b>Total Request 2020</b>	<b>Total Request 2021</b>
<b>1</b> Manage Claim Costs and Protect State Assets						
<b>1</b> <i>Risk Management and Claims Administration</i>						
<b>1</b> ENTERPRISE RISK MGMT/CLAIMS ADMIN	\$10,705,349	\$10,705,350	\$0	\$0	\$10,705,349	\$10,705,350
<b>TOTAL, GOAL 1</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>
<b>2</b> Workers' Compensation Payments: Estimated and Nontransferable						
<b>1</b> <i>Workers' Compensation Payments: Estimated and Nontransferable</i>						
<b>1</b> WORKERS' COMPENSATION PAYMENTS	42,817,750	42,817,750	0	0	42,817,750	42,817,750
<b>TOTAL, GOAL 2</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>	<b>\$0</b>	<b>\$0</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>						
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>

**2.F. Summary of Total Request by Strategy**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/17/2018

TIME : 3:41:54PM

Agency code: 479 Agency name: State Office of Risk Management

<i>Goal/Objective/STRATEGY</i>	<b>Base 2020</b>	<b>Base 2021</b>	<b>Exceptional 2020</b>	<b>Exceptional 2021</b>	<b>Total Request 2020</b>	<b>Total Request 2021</b>
<b>General Revenue Funds:</b>						
1 General Revenue Fund	\$0	\$0	\$0	\$0	\$0	\$0
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Funds:</b>						
666 Appropriated Receipts	0	0	0	0	0	0
777 Interagency Contracts	52,955,349	52,955,350	0	0	52,955,349	52,955,350
8052 Subrogation Receipts	567,750	567,750	0	0	567,750	567,750
	<b>\$53,523,099</b>	<b>\$53,523,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>121.6</b>	<b>121.6</b>	<b>0.0</b>	<b>0.0</b>	<b>121.6</b>	<b>121.6</b>

**2.G. Summary of Total Request Objective Outcomes**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/17/2018  
 Time: 3:41:54PM

Agency code: 479 Agency name: State Office of Risk Management

Goal/ Objective / Outcome

	BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1						
1						
<b>KEY</b>						
<b>1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b>						
	3.55%	3.55%			3.55%	3.55%
<b>KEY</b>						
<b>2 Cost of Workers' Compensation Per Covered State Employee</b>						
	252.00	252.00			252.00	252.00
<b>KEY</b>						
<b>3 Cost of Workers' Compensation Coverage Per \$100 State Payroll</b>						
	0.60	0.60			0.60	0.60

**479 State Office of Risk Management**

GOAL: 1 Manage Claim Costs and Protect State Assets  
 OBJECTIVE: 1 Risk Management and Claims Administration Service Categories:  
 STRATEGY: 1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
KEY 1	Number of Written Risk Management Program Reviews Conducted	29.00	29.00	29.00	29.00	29.00
KEY 2	Number of On-site Consultations Conducted	269.00	256.00	229.00	229.00	229.00
3	Number of Risk Management Training Sessions Conducted	213.00	250.00	250.00	250.00	250.00
4	Number of Initial Eligibility Determinations Made	7,656.00	7,476.00	7,500.00	7,500.00	7,500.00
KEY 5	Number of Medical Bills Processed	87,578.00	91,744.09	90,000.00	92,000.00	92,000.00
KEY 6	Number of Indemnity Bills Paid	27,165.00	26,797.09	27,700.00	27,200.00	27,200.00
<b>Efficiency Measures:</b>						
1	Cost Per Hour of Direct Risk Management Service Provided	110.47	89.67	105.00	105.00	105.00
KEY 2	Average Cost to Administer Claim	593.82	666.59	668.00	668.00	668.00
<b>Explanatory/Input Measures:</b>						
KEY 1	Percentage of Total Assessments Collected Used for Claim Payments	93.27%	96.51%	99.00%	99.00%	99.00%
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$6,270,301	\$6,357,238	\$7,011,149	\$7,011,149	\$7,011,149
1002	OTHER PERSONNEL COSTS	\$400,687	\$450,000	\$450,000	\$450,000	\$450,000
2001	PROFESSIONAL FEES AND SERVICES	\$1,178,307	\$1,818,254	\$1,818,254	\$1,818,254	\$1,818,254

**3.A. Strategy Request**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/17/2018 3:41:54PM

**479 State Office of Risk Management**

GOAL: 1 Manage Claim Costs and Protect State Assets  
 OBJECTIVE: 1 Risk Management and Claims Administration Service Categories:  
 STRATEGY: 1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
2003	CONSUMABLE SUPPLIES	\$20,862	\$38,434	\$38,434	\$38,434	\$38,434
2004	UTILITIES	\$5,923	\$6,058	\$6,058	\$6,058	\$6,058
2005	TRAVEL	\$156,035	\$135,000	\$135,000	\$135,000	\$135,000
2006	RENT - BUILDING	\$720	\$720	\$720	\$720	\$720
2007	RENT - MACHINE AND OTHER	\$21,496	\$21,863	\$21,863	\$24,000	\$24,000
2009	OTHER OPERATING EXPENSE	\$1,517,536	\$1,529,232	\$1,474,422	\$1,221,734	\$1,221,735
5000	CAPITAL EXPENDITURES	\$0	\$0	\$98,000	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$9,571,867</b>	<b>\$10,356,799</b>	<b>\$11,053,900</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$1,177	\$900	\$0	\$0	\$0
777	Interagency Contracts	\$9,570,690	\$10,355,899	\$11,053,900	\$10,705,349	\$10,705,350
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$9,571,867</b>	<b>\$10,356,799</b>	<b>\$11,053,900</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>

**479 State Office of Risk Management**

GOAL: 1 Manage Claim Costs and Protect State Assets  
 OBJECTIVE: 1 Risk Management and Claims Administration Service Categories:  
 STRATEGY: 1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$10,705,349</b>	<b>\$10,705,350</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$9,571,867</b>	<b>\$10,356,799</b>	<b>\$11,053,900</b>	<b>\$10,705,349</b>	<b>\$10,705,350</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>110.0</b>	<b>112.9</b>	<b>121.6</b>	<b>121.6</b>	<b>121.6</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Executive Director of the Office serves by law as the State Risk Manager. The Office's responsibilities include enterprise risk and insurance management, continuity of government operations, and the self-insured government employee workers' compensation program. The Office provides services to 141 state agencies and 123 Community Supervision and Corrections Departments, with 192,000 state employees, nearly \$ 11.6B in insured real and personal property, and assets estimated in excess of \$80B.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**479 State Office of Risk Management**

GOAL: 1 Manage Claim Costs and Protect State Assets  
 OBJECTIVE: 1 Risk Management and Claims Administration Service Categories:  
 STRATEGY: 1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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External factors likely to impact Office efforts are: legislation and administrative rulemaking altering the types/levels of risk experienced or requiring additional resources for compliance, including potential exposure to penalties; market volatility and absence of self-insured retentions at the state level; increased losses in response to external factors outside the control of client agencies (e.g., economic downturns, natural disasters, security threats, reductions in workforce); marginalization of risk management leading to inadequate planning/failure to anticipate, avert, and reduce the impact of associated exposures; inadequate continuity planning and testing by client agencies resulting in failure to operate during a crisis; insufficient enforcement mechanisms to encourage compliance; demographic changes affecting the number and severity of injuries; rising medical and indemnity costs; and greater demands respecting the full range of enterprise risk management services.

Internal factors likely to impact efforts are: budgetary constraints negatively affecting available resources, including but not limited to availability/retention of staff with appropriate skills/expertise; increasing contractual complexity requiring specialized expertise; and legacy computer systems negatively affecting the Office's ability to efficiently streamline data compilation/analysis.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$21,410,699	\$21,410,699	\$0	\$0	<b>Total of Explanation of Biennial Change</b>

**479 State Office of Risk Management**

GOAL: 2 Workers' Compensation Payments: Estimated and Nontransferable  
 OBJECTIVE: 1 Workers' Compensation Payments: Estimated and Nontransferable Service Categories:  
 STRATEGY: 1 Workers' Compensation Payments: Estimated and Nontransferable Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Objects of Expense:</b>						
2009	OTHER OPERATING EXPENSE	\$39,340,866	\$42,067,750	\$43,567,750	\$42,817,750	\$42,817,750
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$39,340,866</b>	<b>\$42,067,750</b>	<b>\$43,567,750</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$0	\$0	\$0	\$0	\$0
777	Interagency Contracts	\$38,707,593	\$41,500,000	\$43,000,000	\$42,250,000	\$42,250,000
8052	Subrogation Receipts	\$633,273	\$567,750	\$567,750	\$567,750	\$567,750
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$39,340,866</b>	<b>\$42,067,750</b>	<b>\$43,567,750</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$39,340,866</b>	<b>\$42,067,750</b>	<b>\$43,567,750</b>	<b>\$42,817,750</b>	<b>\$42,817,750</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>						
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						

**479 State Office of Risk Management**

GOAL: 2 Workers' Compensation Payments: Estimated and Nontransferable  
 OBJECTIVE: 1 Workers' Compensation Payments: Estimated and Nontransferable Service Categories:  
 STRATEGY: 1 Workers' Compensation Payments: Estimated and Nontransferable Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Workers' Compensation Payments: Estimated and Nontransferable  
 This strategy is a separate goal for paying medical expenses and compensation to injured state workers. The Office provides self-insured workers' compensation claims administration services to all state agencies and Community Supervision and Corrections Departments subject to Chapters 412 and 501 of the Texas Labor Code, with the exception of the Texas A&M System, the University of Texas System, and the Texas Department of Transportation. The Office acts in the capacity of insurer, and is responsible for receiving and investigating reports of injuries filed on behalf of employees, determining whether a claim is compensable, and paying income and medical benefits as due. This strategy contributes directly to the priority goal of general state government to support effective, efficient, and accountable state government operations.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Annual costs of the State's workers' compensation program have been reduced by more than \$30 million since FY03. The decrease is due to greater accountability on the part of agencies and improved controls in the Office's claims processing. The annual savings noted are more than sufficient to fund the agency's administrative strategy's costs for a full biennium. There is no transfer authority between this strategy appropriation and the administrative strategies.

Both the medical fee schedule and the indemnity rate may rise, resulting in long term increases. Continued implementation of a workers' compensation certified health care network may result in increased administrative costs for contracting and monitoring the network, though performance-based monitoring and treatment guidelines are anticipated to result in improved outcomes and the potential for long-term savings.

External changes in the law, rules, guidelines, compensation rates, and legal determinations made by TDI/DWC directly affect this strategy. Factors which affect the number/cost of injuries include the number of employees covered, occupational risk levels, safety programs, fraud rates, and staffing levels. Loss of subrogation recoveries would increase net costs by reducing revenue from non-state sources.

**479 State Office of Risk Management**

GOAL: 2 Workers' Compensation Payments: Estimated and Nontransferable  
 OBJECTIVE: 1 Workers' Compensation Payments: Estimated and Nontransferable Service Categories:  
 STRATEGY: 1 Workers' Compensation Payments: Estimated and Nontransferable Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$85,635,500	\$85,635,500	\$0	\$0	<b>Total of Explanation of Biennial Change</b>

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$48,912,733</b>	<b>\$52,424,549</b>	<b>\$54,621,650</b>	<b>\$53,523,099</b>	<b>\$53,523,100</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>110.0</b>	<b>112.9</b>	<b>121.6</b>	<b>121.6</b>	<b>121.6</b>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 479	<b>Agency Name:</b> State Office of Risk Management	<b>Prepared By:</b> Lori Shaw	<b>Date:</b> 08/17/2018	<b>Request Level:</b> Baseline
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Current Rider Number	Page Number in 2018-19 GAA	Proposed Rider Language																					
2	I-83	<p><del><b>Capital Budget.</b> None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes.</del></p> <table style="width: 100%; margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><del>2018</del></td> <td style="text-align: right;"><del>2019</del></td> </tr> <tr> <td colspan="3"><del>a. Acquisition of Information Resource Technologies</del></td> </tr> <tr> <td><del>(1) PC Replacement</del></td> <td style="text-align: right;"><del>\$ 49,000</del></td> <td style="text-align: right;"><del>\$ 49,000</del></td> </tr> <tr> <td><del>Total, Capital Budget</del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> </tr> <tr> <td colspan="3"><del>Method of Financing (Capital Budget):</del></td> </tr> <tr> <td><del>Interagency Contracts</del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> </tr> <tr> <td><del>Total, Method of Financing</del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> <td style="text-align: right;"><del><u>\$ 49,000</u></del></td> </tr> </table> <p><i>This rider is unnecessary for the 2020-2021 biennium.</i></p>		<del>2018</del>	<del>2019</del>	<del>a. Acquisition of Information Resource Technologies</del>			<del>(1) PC Replacement</del>	<del>\$ 49,000</del>	<del>\$ 49,000</del>	<del>Total, Capital Budget</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>	<del>Method of Financing (Capital Budget):</del>			<del>Interagency Contracts</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>	<del>Total, Method of Financing</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>
	<del>2018</del>	<del>2019</del>																					
<del>a. Acquisition of Information Resource Technologies</del>																							
<del>(1) PC Replacement</del>	<del>\$ 49,000</del>	<del>\$ 49,000</del>																					
<del>Total, Capital Budget</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>																					
<del>Method of Financing (Capital Budget):</del>																							
<del>Interagency Contracts</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>																					
<del>Total, Method of Financing</del>	<del><u>\$ 49,000</u></del>	<del><u>\$ 49,000</u></del>																					
3	I-83	<p><b>Unexpended Balances Between Biennia.</b> Included in amounts appropriated above are unexpended and unobligated balances remaining as of August 31, <del>2019</del> 2017, (estimated to be \$0 in Interagency Contracts) in Strategy A.1.1, Enterprise Risk Management/Claims Administration for the fiscal year beginning September 1, <del>2019</del> 2017, to be applied toward assessments charged to state agencies for the risk management and claims administration program for fiscal year <del>2020</del> 2018.</p> <p><i>The rider is updated for the 2020-2021 biennium.</i></p>																					

**3.B. Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2016-17 GAA	Proposed Rider Language
4	I-83	<p><b>Administrative Support for the State Office of Risk Management.</b> Out of funds appropriated above in Strategy A.1.1, Enterprise Risk Management/Claims Administration, the State Office of Risk Management shall enter into an interagency contract with the Attorney General for administrative support services which shall consist of the same levels of service and approximate costs as were provided to the State Office of Risk Management during the <del>2018-19</del> <u>2016-17</u> biennium.</p> <p><i>The rider is updated for the 2020-2021 biennium.</i></p>
5	I-83	<p><b>Unexpended Balances within the Biennia.</b> Any unexpended and unobligated balances remaining as of August 31, <del>2020</del> <u>2018</u>, out of appropriations made above in Strategy A.1.1, Enterprise Risk Management/Claims Administration, are appropriated to the State Office of Risk Management for the fiscal year beginning September 1, <del>2020</del> <u>2018</u>, to be applied toward assessments charged to state agencies for the administration of the workers' compensation and risk management programs for fiscal year <del>2021</del> <u>2019</u>.</p> <p><i>The rider is updated for the 2020-2021 biennium.</i></p>
6	I-83	<p><b>Appropriation - Subrogation of Receipts.</b> All sums of money recovered by the State Office of Risk Management from third parties by way of subrogation are appropriated to the State Office of Risk Management during the biennium of receipt to be used for the payment of workers' compensation benefits to state employees.</p> <p><i>No change requested.</i></p>

**3.B. Rider Revisions and Additions Request  
(continued)**

Current Rider Number	Page Number in 2016-17 GAA	Proposed Rider Language
7	I-83	<p><b>Cost Containment.</b> The State Office of Risk Management shall submit a report detailing the effectiveness of various cost containment measures undertaken and proposing additional measures to reduce workers' compensation costs. This report shall be submitted to the legislative and executive budget offices, in the form those offices require, within 45 days after the close of each fiscal year</p> <p><i>No change requested.</i></p>
8	I-84	<p><b>Reporting of Workers' Compensation Claims.</b> For the purpose of reporting expenditures to the Uniform Statewide Accounting System (USAS), the State Office of Risk Management (SORM) shall account for payments of workers' compensation claims based on the date on which the bill for services is presented for payment to SORM.</p> <p>In addition, not later than November 1 of each year, SORM shall submit a report to the Comptroller of Public Accounts, the Governor's Office, and the Legislative Budget Board which accounts for workers' compensation expenditures for the preceding fiscal year based on the date on which the injury occurred and the medical or related service was performed.</p> <p><i>No change requested.</i></p>

**3.B. Rider Revisions and Additions Request  
(continued)**

15.02	IX-72	<p><b>Payments to the State Office of Risk Management (SORM).</b></p> <p>(a) In this section:</p> <p>(1) "Agency" includes a state agency as defined under §2151.002, Government Code, which includes an institution of higher education (except a public junior college) as defined under §61.003, Education Code, and may also include any other unit of state government as defined by the rules of SORM, which participates in cost allocation plan provided under this section;</p> <p>(2) "Assessment" means the amount of the workers' compensation assessment placed on an agency by SORM and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management and Claims Administration, as provided by this section and other relevant law; and</p> <p>(3) "SORM" means the State Office of Risk Management.</p> <p>(b) At the beginning of each fiscal year, SORM shall prepare a statement reflecting the assessments due from all agencies and present it to the Comptroller.</p> <p>(c)</p> <p>(1) Notwithstanding other provisions in this Act, agencies shall transfer to SORM seventy-five percent (75%) of their assessed allocation which includes amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Funds or local bank accounts and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management and Claims Administration.</p> <p>(2) Not later than May 1 of each fiscal year, SORM shall determine, based on actual costs since the beginning of the fiscal year and other estimated costs, the remaining assessment due from each agency. SORM shall prepare a statement reflecting the remaining assessments due from each agency and present the statement to the Comptroller. Each agency shall transfer to SORM the remaining assessed allocation which includes amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Funds or local bank accounts and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management and Claims Administration.</p> <p><i>Continued on next page.</i></p>
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### 3.B. Rider Revisions and Additions Request (continued)

Current Rider Number	Page Number in 2016-17 GAA	Proposed Rider Language
15.02	IX-72	<p>(d) Transfers and payments as are authorized under law shall be made not more than 30 days from receipt of the statement of payments due.</p> <p>(e) The Comptroller may prescribe accounting procedures and regulations to implement this section.</p> <p>(f) Upon certification by SORM of amounts due, the Comptroller may transfer funds from an agency if the assessment amount due remains unpaid after more than 30 days from receipt of the statement of payments due.</p> <p>(g) All funds recovered by SORM from third parties by way of subrogation are appropriated to SORM to be used for the payment of workers' compensation benefits to state employees and shall be retained in Strategy B.1.1, Workers' Compensation Payments, in whole for that purpose.</p> <p>(h) Amounts not to exceed 2 percent in total of workers' compensation annual expenditures may be awarded to agencies by SORM for the purposes of risk management and loss prevention. In the event that collections in Strategy B.1.1, Workers' Compensation Payments, funded by the annual assessments to agencies, exceeds 110 percent of the expected annual payments, the portion of the excess over 110 percent funded from all funding sources shall be returned to agencies. The excess returned to the agencies by SORM is appropriated to the agencies for expenditures consistent with the original funding source. Any funding less than 110 percent of collections in Strategy B.1.1, Workers' Compensation Payments, not used for workers' compensation payments shall be used by SORM to lower the cumulative assessments to agencies the following fiscal year.</p> <p><i>Continued on next page.</i></p>

**3.B. Rider Revisions and Additions Request  
(continued)**

<b>Current Rider Number</b>	<b>Page Number in 2016-17 GAA</b>	<b>Proposed Rider Language</b>
15.02	IX-72	<p>(i) In the event the total assessments in any year prove insufficient to fund expenditures, SORM may, with the approval of the Legislative Budget Board, temporarily utilize additional general revenue in an amount not to exceed 20 percent of the cumulative assessments for that fiscal year. Any additional general revenue funds will be utilized only for the purpose of temporary cash flow and must be repaid upon receipt of the following year's assessments in accordance with procedures established by the Comptroller. All transfers from and repayments to the General Revenue Fund shall be reported by SORM to the Legislative Budget Board within 30 days of the transfer.</p> <p>(j) The reimbursement requirements established by this section may be waived or delayed, either in whole or in part, by the Legislative Budget Board.</p> <p>(k) SORM shall require agencies to provide to SORM and agencies shall submit to SORM information regarding the specific funding sources from which agencies pay their assessed allocation amounts for workers' compensation coverage for their employees.</p> <p><i>No change requested.</i></p>

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/17/2018  
 TIME: 3:41:55PM

Agency code: 479

Agency name:  
**State Office of Risk Management**

CODE	DESCRIPTION	Excp 2020	Excp 2021
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<b>Item Name:</b>	Increase in Board authority to compensate the Executive Director.
<b>Item Priority:</b>	1
<b>IT Component:</b>	No
<b>Anticipated Out-year Costs:</b>	No
<b>Involve Contracts &gt; \$50,000:</b>	No
<b>Includes Funding for the Following Strategy or Strategies:</b>	01-01-01 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin

**OBJECTS OF EXPENSE:**

1001	SALARIES AND WAGES	0	0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$0</b>	<b>\$0</b>

**METHOD OF FINANCING:**

777	Interagency Contracts	0	0
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$0</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

The Board of the Office requests that the Executive Director Exempt Position be reclassified to Group 4, consistent with both the SAO's 2014 and 2016 Reports on Executive Compensation at State Agencies, with a maximum salary authorization of \$171,688. The purpose of this request is to provide the Board the ability to recruit and retain at a competitive salary a qualified individual to serve as Executive Director of the Office, consistent with its duties under Chapter 412, Texas Labor Code. The Board is not requesting additional funding or appropriation authority.

**EXTERNAL/INTERNAL FACTORS:**

Since its inception in September 1997, the statutory mission of the Office has been expanded significantly by the Legislature to include full service risk and insurance management functions and enterprise continuity of operations. In the 21 years of operation, the Board has hired four executive directors, with staff serving in an interim capacity as required. The past several SAO biennial studies of state agency executive compensation indicate that the maximum salary currently authorized for this position is not competitive in the market average, raising concern for both the short-term and long-term retention of a qualified Risk Manager for the State of Texas.

**PCLS TRACKING KEY:**

4.B. Exceptional Items Strategy Allocation Schedule  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/17/2018  
 TIME: 3:41:55PM

Agency code: 479 Agency name: State Office of Risk Management

Code	Description	Excp 2020	Excp 2021
<b>Item Name:</b> Increase in Board authority to compensate the Executive Director.			
<b>Allocation to Strategy:</b> 1-1-1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	0	0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>			
777	Interagency Contracts	0	0
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$0</b>	<b>\$0</b>

**4.C. Exceptional Items Strategy Request**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/17/2018  
**TIME:** 3:41:55PM

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Agency Code: **479** Agency name: **State Office of Risk Management**

GOAL: 1 Manage Claim Costs and Protect State Assets

OBJECTIVE: 1 Risk Management and Claims Administration

Service Categories:

STRATEGY: 1 Assist/Review Risk Mgmt Programs & Provide Workers' Comp Admin

Service: 05 Income: A.2 Age: B.3

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**CODE DESCRIPTION**

**Exp 2020**

**Exp 2021**

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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Increase in Board authority to compensate the Executive Director.

**5.A. Capital Budget Project Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/17/2018**  
 TIME : **3:41:56PM**

Agency code: **479**

Agency name: **State Office of Risk Management**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2018**

**Bud 2019**

**BL 2020**

**BL 2021**

**5005 Acquisition of Information Resource Technologies**

*1/1 PC Replacement*

**OBJECTS OF EXPENSE**

Capital

General	5000	CAPITAL EXPENDITURES		\$0	\$98,000	\$0	\$0
		Capital Subtotal OOE, Project	1	\$0	\$98,000	\$0	\$0
		Subtotal OOE, Project	1	<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>	<b>\$0</b>

**TYPE OF FINANCING**

Capital

General	CA	777	Interagency Contracts	\$0	\$98,000	\$0	\$0
			Capital Subtotal TOF, Project	1	\$0	\$98,000	\$0
			Subtotal TOF, Project	1	<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>

Informational

General	CA	777	Interagency Contracts	\$0	\$0	\$0	\$0
			Informational Subtotal TOF, Project	1	\$0	\$0	\$0
			Subtotal TOF, Project	1	<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>

Capital Subtotal, Category 5005

Informational Subtotal, Category 5005

**Total, Category 5005**

**AGENCY TOTAL -CAPITAL**

**AGENCY TOTAL -INFORMATIONAL**

**AGENCY TOTAL**

<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>	<b>\$0</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>	<b>\$0</b>

**5.A. Capital Budget Project Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/17/2018**  
 TIME : **3:41:56PM**

Agency code: **479**

Agency name: **State Office of Risk Management**

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

**OOE / TOF / MOF CODE**

**Est 2018**

**Bud 2019**

**BL 2020**

**BL 2021**

**METHOD OF FINANCING:**

Capital

General	777	Interagency Contracts	\$0	\$98,000	\$0	\$0
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Total, Method of Financing-Capital

\$0	\$98,000	\$0	\$0
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Informational

General	777	Interagency Contracts	\$0	\$0	\$0	\$0
---------	-----	-----------------------	-----	-----	-----	-----

Total, Method of Financing-Informational

\$0	\$0	\$0	\$0
-----	-----	-----	-----

**Total, Method of Financing**

<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>	<b>\$0</b>
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**TYPE OF FINANCING:**

Capital

General	CA	CURRENT APPROPRIATIONS	\$0	\$98,000	\$0	\$0
---------	----	------------------------	-----	----------	-----	-----

Total, Type of Financing-Capital

\$0	\$98,000	\$0	\$0
-----	----------	-----	-----

Informational

General	CA	CURRENT APPROPRIATIONS	\$0	\$0	\$0	\$0
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Total, Type of Financing-Informational

\$0	\$0	\$0	\$0
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**Total, Type of Financing**

<b>\$0</b>	<b>\$98,000</b>	<b>\$0</b>	<b>\$0</b>
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**5.B. Capital Budget Project Information**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/17/2018  
 TIME: 3:41:56PM

Agency Code:	479	Agency name:	State Office of Risk Management
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	1	Project Name:	PC Replacement

**PROJECT DESCRIPTION**

**General Information**

We are pleased with the result of replacing computer workstations at one time. The Attorney General's Office (who handles our purchases) also uses this method, and are pleased with the result. All computers will have the same platform and technical specifications, making maintenance easier. Up to date computers are essential for adjusters to function, they use scanned images and internet resources as well as mainframe resources concurrently, and need to be able to use the latest technology to be able to assist claimants and providers in a quick and orderly fashion. Not replacing the computers means the risk of having adjusters being unable to process benefits or payments.

<b>PLCS Tracking Key</b>	N/A
<b>Number of Units / Average Unit Cost</b>	130/\$98,000
<b>Estimated Completion Date</b>	8/31/19

<b>Additional Capital Expenditure Amounts Required</b>		<b>2022</b>	<b>2023</b>
		0	0
<b>Type of Financing</b>	CA	CURRENT APPROPRIATIONS	
<b>Projected Useful Life</b>	4 Years		
<b>Estimated/Actual Project Cost</b>	\$98,000		
<b>Length of Financing/ Lease Period</b>	N/A		

<b><u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u></b>					<b>Total over project life</b>
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>		
0	0	0	0		0

<b><u>REVENUE GENERATION / COST SAVINGS</u></b>		
<b><u>REVENUE COST FLAG</u></b>	<b><u>MOF CODE</u></b>	<b><u>AVERAGE AMOUNT</u></b>

**Explanation:** We expect no savings or earnings from the new workstations. There will be lost productivity over time if they are not replaced. As SORM staff handles \$millions, it is essential that they not be hampered by inadequate workstations.

**Project Location:** State Office of Risk Management - 300 W 15th St, 6th Floor

**Beneficiaries:** Injured workers, medical providers and SORM employees.

**Frequency of Use and External Factors Affecting Use:**

Computer workstations are in constant and increasing use by SORM staff to adjust claims and pay bills associated with the claims, and well as mitigate loss.

Agency code: 479 Agency name: State Office of Risk Management

Category Code/Name

*Project Sequence/Project Id/Name*

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021	
<b>5005 Acquisition of Information Resource Technologies</b>						
<i>1/1</i>	<i>PC Replacement</i>					
<b><u>GENERAL BUDGET</u></b>						
Capital	1-1-1	ENTERPRISE RISK MGMT/CLAIMS ADMIN	0	98,000	\$0	\$0
		TOTAL, PROJECT	\$0	\$98,000	\$0	\$0
		TOTAL CAPITAL, ALL PROJECTS	\$0	\$98,000	\$0	\$0
		TOTAL INFORMATIONAL, ALL PROJECTS				
		TOTAL, ALL PROJECTS	\$0	\$98,000	\$0	\$0

**5.D. Capital Budget Operating and Maintenance Expenses**  
 86th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

DATE: 8/17/2018  
 TIME: 3:41:56PM

Agency Code: 479 Agency name: State Office of Risk Management  
 Project Number: 1 Project name: PC Replacement  
 Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2020	2021	2022	2023
<b>OBJECTS OF EXPENSE:</b>				
5000 CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>				
777 Interagency Contracts	\$0	\$0	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**OPERATING COSTS DESCRIPTION AND JUSTIFICATION:**

479 State Office of Risk Management

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
<b>5005 Acquisition of Information Resource Technologies</b>					
<i>1 PC Replacement</i>					
<b>OOE</b>					
<b>Capital</b>					
<b>1-1-1 ENTERPRISE RISK MGMT/CLAIMS ADMIN</b>					
<u><b>General Budget</b></u>					
5000	CAPITAL EXPENDITURES	0	98,000	0	0
<b>TOTAL, OOE's</b>		<b>\$0</b>	<b>\$98,000</b>	<b>0</b>	<b>0</b>
<b>MOF</b>					
<b>OTHER FUNDS</b>					
<b>Capital</b>					
<b>1-1-1 ENTERPRISE RISK MGMT/CLAIMS ADMIN</b>					
<u><b>General Budget</b></u>					
777	Interagency Contracts	0	98,000	0	0
<b>TOTAL, OTHER FUNDS</b>		<b>\$0</b>	<b>\$98,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL, MOF's</b>		<b>\$0</b>	<b>\$98,000</b>	<b>0</b>	<b>0</b>

**479 State Office of Risk Management**

	Est 2018	Bud 2019	BL 2020	BL 2021
<b>CAPITAL</b>				
<u>General Budget</u>				
OTHER FUNDS				
TOTAL, GENERAL BUDGET	\$0	\$98,000	0	0
TOTAL, ALL PROJECTS	0	98,000	0	0
	<b>\$0</b>	<b>\$98,000</b>	<b>0</b>	<b>0</b>

**6.A. Historically Underutilized Business Supporting Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/17/2018  
 Time: 3:41:57PM

Agency Code: 479 Agency: State Office of Risk Management

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2016 - 2017 HUB Expenditure Information**

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2016			Total Expenditures FY 2016		HUB Expenditures FY 2017			Total Expenditures FY 2017
			% Actual	Diff	Actual \$	FY 2016	% Goal	% Actual	Diff	Actual \$	FY 2017
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0
21.1%	Building Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0
32.9%	Special Trade	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0
23.7%	Professional Services	100.0 %	100.0%	0.0%	\$22,300	\$22,300	100.0 %	100.0%	0.0%	\$34,640	\$34,640
26.0%	Other Services	61.2 %	61.2%	0.0%	\$821,706	\$1,341,745	54.6 %	54.6%	0.0%	\$673,013	\$1,231,614
21.1%	Commodities	6.1 %	6.1%	0.0%	\$10,469	\$170,813	41.1 %	41.1%	0.0%	\$51,194	\$124,449
	<b>Total Expenditures</b>		<b>55.7%</b>		<b>\$854,475</b>	<b>\$1,534,858</b>		<b>54.6%</b>		<b>\$758,847</b>	<b>\$1,390,703</b>

**B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals**

**Attainment:**

The agency exceeded two of three, or 56% of the applicable statewide HUB procurement goals in FY 2016.

The agency exceeded three of the three or 100% applicable statewide HUB procurement goals in FY 2017.

**Applicability:**

The Heavy Construction, Building Construction, or Special Trades categories are not applicable to agency operations.

**Factors Affecting Attainment:**

Other Services

SORM has been authorized by the Legislature to procure statewide insurance contracts which state agencies and universities and may utilize in order mitigate risk and save taxpayer dollars. This has presented a challenge to the agency as the Insurance industry's business practices do not readily lend themselves to subcontracting opportunities.

The purchase of an insurance policy is an intangible product, unlike purchasing a commodity or a service. Most policy services are conventionally provided internally in the insurance industry. This, coupled with the scope of exposures presented by the State of Texas, does limit the number of available markets and thus subcontracting opportunities.

SORM's Cost Containment, Director's and Officer's, Property, and Volunteer Insurance contracts are the largest that the agency awards. All were awarded to Non HUB vendors performing the work without subcontracting. There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

**"Good-Faith" Efforts:**

**6.A. Historically Underutilized Business Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/17/2018**  
Time: **3:41:57PM**

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Agency Code: **479** Agency: **State Office of Risk Management**

The SORM attained an overall HUB percentage of 55.67% in FY 2016 and 54.57% in FY 2017. SORM's written purchasing procedures require solicitation of HUB vendors and include HUB Subcontracting Plans for purchases over \$100,000 over the term of the contract including any renewals. To meet the requirements of TAC Rule §20.284 SORM utilized the State of Texas HUB goals consistent with the Disparity Study findings and the agency's unique purchasing requirements.

Outreach:

Distributed literature and bid opportunities at HUB outreach events.

Developed and maintained ongoing communication with organizations that serve minority, and women-owned businesses and service disabled veteran's informed them of bid opportunities.

Assisted HUBs by distributing bid and Pre-Bid conference information with the intent of finding partners with Prime vendors.

Other:

SORM has an Inter Agency Contract to receive HUB coordination services through the OAG's HUB Program coordinator and the OAG's Purchasing Department to comply with HUB requirements. SORM recognizes that the services provided by the OAG HUB Program (including Mentor Protégé Program) are conducted on a daily basis for the benefit of SORM.

**6.B. Current Biennium Onetime Expenditure Schedule  
Summary of Onetime Expenditures**

<b>Agency Code:</b> 479	<b>Agency Name:</b> State Office of Risk Management	<b>Prepared By:</b> Belinda Hood	<b>Date:</b> 08/16/18
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<b>Projects</b>	<b>Estimated 2018</b>	<b>Budgeted 2019</b>	<b>Requested 2020</b>	<b>Requested 2021</b>
Facility Renovation Costs	\$43,961	\$0	\$0	\$0
0	\$0	\$0	\$0	\$0
0	\$0	\$0	\$0	\$0
0	\$0	\$0	\$0	\$0
<b>Total, All Projects</b>	\$43,961	\$0	\$0	\$0

**6.B. Current Biennium Onetime Expenditure Schedule  
Strategy Allocation from 2018-19 Biennium to 2020-21 Biennium**

<b>Agency Code:</b> 479	<b>Agency Name:</b> State Office of Risk Management	<b>Prepared By:</b> Belinda Hood	<b>Date:</b> 08/16/18
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<b>2018-19</b> <b>PROJECT:</b> Facility Renovation Costs <b>ALLOCATION TO STRATEGY:</b> A 1.1 Enterprise Risk Mgmt/Claims Admin	<b>2020-21</b> <b>PROJECT:</b> <b>ALLOCATION TO STRATEGY:</b>
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Strategy Code	OOE/MOF Code	Strategy Allocation	Estimated 2018	Budgeted 2019	Requested 2020	Requested 2021
<b>Object of Expense:</b>						
A 1.1.	2009	Other Operating Expenses	\$43,961	\$0	\$0	\$0
<b>Total, Object of Expense</b>			\$43,961	\$0	\$0	\$0
<b>Method of Financing:</b>						
A.1.1	777	Interagency Contracts	\$43,961	\$0	\$0	\$0
<b>Total, Method of Financing</b>			\$43,961	\$0	\$0	\$0

<b>Project Description for the 2018-19 Biennium:</b> Facility Renovation Costs
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<b>Project Description and Allocation Purpose for the 2020-21 Biennium:</b>
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**6.E. Estimated Revenue Collections Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: **479** Agency name: **State Office of Risk Management**

<b>FUND/ACCOUNT</b>	<b>Act 2017</b>	<b>Exp 2018</b>	<b>Exp 2019</b>	<b>Bud 2020</b>	<b>Est 2021</b>
<b><u>777</u> Interagency Contracts</b>					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3719 Fees/Copies or Filing of Records	1,177	900	0	0	0
3805 Subrogation Recoveries	633,273	567,750	567,750	567,750	567,750
3947 State Office of Risk Mgmt Assessmnts	54,885,889	56,225,634	56,295,904	55,197,353	55,197,354
Subtotal: Actual/Estimated Revenue	55,520,339	56,794,284	56,863,654	55,765,103	55,765,104
<b>Total Available</b>	<b>\$55,520,339</b>	<b>\$56,794,284</b>	<b>\$56,863,654</b>	<b>\$55,765,103</b>	<b>\$55,765,104</b>
<b>DEDUCTIONS:</b>					
Expended/Budgeted	(48,912,733)	(52,424,549)	(54,621,650)	(53,523,099)	(53,523,100)
UB to Next AY (COBJ 3947)	(4,646,072)	(2,149,000)	0	0	0
State Retirement (90327)	(588,250)	(573,317)	(573,317)	(573,317)	(573,317)
OASI (91142)	(486,186)	(459,346)	(459,346)	(459,346)	(459,346)
SKIP (98327)	0	0	0	0	0
Group Insurance (99327)	(879,862)	(1,182,032)	(1,204,146)	(1,204,146)	(1,204,146)
BRP (23102)	(7,236)	(6,040)	(5,195)	(5,195)	(5,195)
<b>Total, Deductions</b>	<b>\$(55,520,339)</b>	<b>\$(56,794,284)</b>	<b>\$(56,863,654)</b>	<b>\$(55,765,103)</b>	<b>\$(55,765,104)</b>
<b>Ending Fund/Account Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**REVENUE ASSUMPTIONS:**

**CONTACT PERSON:**

Stuart B. Cargile

Agency code: 479

Agency name: State Office of Risk Management

Strategy	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>1-1-1 Assist/Review Risk Mgmt Programs &amp; Provide Workers' Comp Admin</b>					
<b>OBJECTS OF EXPENSE:</b>					
1001 SALARIES AND WAGES	\$547,235	\$650,272	\$710,742	\$710,742	\$710,742
1002 OTHER PERSONNEL COSTS	28,165	10,931	11,234	11,234	11,234
2001 PROFESSIONAL FEES AND SERVICES	44,669	77,787	74,764	74,764	74,764
2003 CONSUMABLE SUPPLIES	791	1,644	1,580	1,580	1,580
2004 UTILITIES	225	259	249	249	249
2005 TRAVEL	14,422	30,149	15,000	15,000	15,000
2006 RENT - BUILDING	27	31	30	30	30
2007 RENT - MACHINE AND OTHER	815	918	883	883	883
2009 OTHER OPERATING EXPENSE	57,528	65,440	60,641	50,339	50,339
5000 CAPITAL EXPENDITURES	0	0	4,030	0	0
<b>Total, Objects of Expense</b>	<b>\$693,877</b>	<b>\$837,431</b>	<b>\$879,153</b>	<b>\$864,821</b>	<b>\$864,821</b>
<b>METHOD OF FINANCING:</b>					
777 Interagency Contracts	693,877	837,431	879,153	864,821	864,821
<b>Total, Method of Financing</b>	<b>\$693,877</b>	<b>\$837,431</b>	<b>\$879,153</b>	<b>\$864,821</b>	<b>\$864,821</b>
<b>FULL-TIME-EQUIVALENT POSITIONS (FTE):</b>	<b>4.2</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

**DESCRIPTION**

The administrative and support costs are related to the Executive Director, Deputy Executive Director, CFO, General Counsel, and Chief of Strategic Programs. The salaries, other personnel costs, and travel are the expenses for these positions and all other objects of expense are calculated on a pro-rata basis.

Agency code: 479

Agency name: State Office of Risk Management

	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>GRAND TOTALS</b>					
<b>Objects of Expense</b>					
1001 SALARIES AND WAGES	\$547,235	\$650,272	\$710,742	\$710,742	\$710,742
1002 OTHER PERSONNEL COSTS	\$28,165	\$10,931	\$11,234	\$11,234	\$11,234
2001 PROFESSIONAL FEES AND SERVICES	\$44,669	\$77,787	\$74,764	\$74,764	\$74,764
2003 CONSUMABLE SUPPLIES	\$791	\$1,644	\$1,580	\$1,580	\$1,580
2004 UTILITIES	\$225	\$259	\$249	\$249	\$249
2005 TRAVEL	\$14,422	\$30,149	\$15,000	\$15,000	\$15,000
2006 RENT - BUILDING	\$27	\$31	\$30	\$30	\$30
2007 RENT - MACHINE AND OTHER	\$815	\$918	\$883	\$883	\$883
2009 OTHER OPERATING EXPENSE	\$57,528	\$65,440	\$60,641	\$50,339	\$50,339
5000 CAPITAL EXPENDITURES	\$0	\$0	\$4,030	\$0	\$0
<b>Total, Objects of Expense</b>	<b>\$693,877</b>	<b>\$837,431</b>	<b>\$879,153</b>	<b>\$864,821</b>	<b>\$864,821</b>
<b>Method of Financing</b>					
777 Interagency Contracts	\$693,877	\$837,431	\$879,153	\$864,821	\$864,821
<b>Total, Method of Financing</b>	<b>\$693,877</b>	<b>\$837,431</b>	<b>\$879,153</b>	<b>\$864,821</b>	<b>\$864,821</b>
<b>Full-Time-Equivalent Positions (FTE)</b>	<b>4.2</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>