

STATE OFFICE of RISK MANAGEMENT

***Legislative Appropriations Request
for Fiscal Years 2002 and 2003***

Submitted to the
Governor's Office of Budget and Planning
and the Legislative Budget Board



September 20, 2000

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CHAIRMAN'S STATEMENT

The Board of Directors of the State Office of Risk Management has reviewed and approved the agency's request for funding for the 2002-2003 fiscal biennium.

During Fiscal Year 2000, the State Office of Risk Management (SORM) made great strides to improve its operations and performance in providing workers' compensation claims administration services to state employees and risk management services to its client state agencies. These improvements are detailed in the Administrator's Statement.

SORM is in a unique position among agencies because through proactive risk management, state funds and resources may be conserved. This is evidenced through savings in human resources, property conservation, and liability - including workers' compensation. The Board of Directors of the State Office of Risk Management is committed to the principles of risk management and to making SORM the premiere state office of risk management in the nation.

In planning for fiscal requirements for the upcoming biennium, SORM's Board of Directors has identified the following areas which will require additional financial resources: compensation for claims administration personnel, correction of staffing deficiencies, provision of vocational rehabilitation services, case management services, state insurance purchases, and information technology. Therefore, SORM's funding request includes exceptional items which the Board has identified as necessary in order to address statutory compliance issues, operational and staffing deficiencies, and improvements to the agency's overall operations. The request includes exceptional items totaling \$__ _ in fiscal year 2002 and \$__ _ in fiscal year 2003. The Board considers the funding request to be both prudent and conservative.

The Board has diligently reviewed the funding request and strongly endorses its contents and the indicated exceptional items. The Board believes that this request is necessary for SORM to continue to satisfy its statutory mandates and provide professional services to its client agencies and workers' compensation claimants. The request will allow SORM to address the concerns which are specified in its exceptional items. The requested exceptional items will assist SORM to provide more effective claims administration and risk management services and ultimately should result in savings to state agencies in the form of reduced workers' compensation claims and costs, reduced insurance purchases and improved insurance coverages, and more effective risk management programs.

The SORM Board urges favorable consideration of SORM's request for legislative appropriations.

Respectfully submitted,

Gerald M. Lavey, Chairman
Board of Directors

ADMINISTRATOR'S STATEMENT

The State Office of Risk Management (SORM) became a state agency effective September 1, 1997. SORM was created by the 75th Legislature to administer the state employees workers' compensation program and to provide risk management services for state agencies. SORM is governed by a six-member Board of Directors appointed by the Governor.

During Fiscal Year 2000, SORM's third year of operation, the agency continued integration of the risk management and claims administration functions. Accomplishments included:

- contracting with a new medical cost containment vendor to increase cost savings and provide better service;
- purchasing a document imaging system which will reduce dependency on hard copy documents and the resultant storage and microfilming costs;
- strengthening of communications and services to client agencies and workers' compensation claimants through its customer satisfaction plan initiative, increased training topics and services, and through its "Compact with Texans" which includes our Customer Service Principles and Customer Service Standards;
- researching insurance coordination functions within the statewide risk management program to assist state agencies to improve insurance coverages and reduce premium costs to the State; and
- participating in the Comptroller's study on "Fraud in Texas Healthcare Systems".

SORM also participated in interim legislative charges to study:

- insurance purchase practices of state agencies;
- state agency building security and workplace violence; and
- the role of the pharmaceutical industry in the delivery of health care in Texas.

In addition, SORM developed a cost allocation, or "risk/reward," proposal to allocate workers' compensation costs among covered state agencies and to provide increased incentives for state agencies to more effectively manage and control accidents, claims and costs. This cost allocation program will require legislative approval before it can be effectively implemented.

The State Office of Risk Management initiated the following actions during the 1999-2000 biennium to increase job safety and reduce job injuries:

- New Employee Orientation includes a presentation regarding agency safety policies, procedures and requirements.
- Ergonomic assessments of work stations were conducted for all SORM employees. New employees receive ergonomic assessments within two weeks of beginning employment.
- An active safety committee has been established to assess safety concerns and make appropriate recommendations for action to upper management.
- A special training class for Additional Safety Officers was conducted for all safety committee members. Safety and safety related training training classes for all supervisors and executive staff are held periodically.
- Periodic fire drills are held and general safety training is conducted quarterly. SORM has also produced a risk management manual, a special driving policy, and a safety/health manual for use throughout the agency.
- The agency's Executive Director is active in the review and approval of all health and safety policies and personally reviews the recommendations and minutes of each safety committee meeting.

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 originating 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
1999	3	\$964	\$0	3.07
2000	5	\$3,555	\$794	5.15
Biennium Total	8	\$4,519	\$794	

SORM has prepared its funding request, including requests for certain exceptional items, that will enable it to conservatively fulfill its statutory mandates during the next fiscal biennium. We appreciate your favorable consideration of this request.

Respectfully yours,

Ron Josselet, ARM, CPCU
Executive Director

SUMMARY OF BASE REQUEST BY STRATEGY
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:03:34PM
 PAGE: 1 of 11

Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

Goal / Objective / STRATEGY	EXP 1999	EST 2000	BUD 2001	REQ 2002	REQ 2003
1 Manage Workers' Compensation Costs					
1 Risk Management					
1 RISK MANAGEMENT PROGRAM	972,184	1,075,025	1,120,392	1,097,709	1,097,709
2 Claims Administration					
1 PAY WORKERS' COMPENSATION	4,265,375	4,544,025	4,481,439	4,550,894	4,500,494
TOTAL, GOAL 1	\$5,237,559	\$5,619,050	\$5,601,831	\$5,648,603	\$5,598,203
TOTAL, AGENCY STRATEGY REQUEST	\$5,237,559	\$5,619,050	\$5,601,831	\$5,648,603	\$5,598,203
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				0	0
GRAND TOTAL, AGENCY REQUEST	\$5,237,559	\$5,619,050	\$5,601,831	\$5,648,603	\$5,598,203
METHOD OF FINANCING:					
1 General Revenue Fund					
	\$4,378,337	\$4,702,192	\$4,657,693	\$4,550,894	\$4,500,494
777 Interagency Contracts					
	\$859,222	\$916,858	\$944,138	\$1,097,709	\$1,097,709
TOTAL, METHOD OF FINANCING	\$5,237,559	\$5,619,050	\$5,601,831	\$5,648,603	\$5,598,203

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

SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:05:52PM
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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

METHOD OF FINANCING	EXP 1999	EST 2000	BUD 2001	REQ 2002	REQ 2003
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
0001 General Revenue	4,378,337	4,582,192	4,530,493	4,550,894	4,500,494
<i>TRANSFERS</i>					
Article IX Section 9-11.06	0	120,000	127,200	0	0
Article IX, Section 195	0	0	0	0	0
TOTAL, General Revenue Fund	\$4,378,337	\$4,702,192	\$4,657,693	\$4,550,894	\$4,500,494
TOTAL, ALL GENERAL REVENUE	\$4,378,337	\$4,702,192	\$4,657,693	\$4,550,894	\$4,500,494
<u>OTHER FUNDS</u>					
<u>777</u> Interagency Contracts					
<i>REGULAR APPROPRIATIONS</i>					
0777 Interagency Contracts	859,222	916,858	944,138	1,097,709	1,097,709
TOTAL, Interagency Contracts	\$859,222	\$916,858	\$944,138	\$1,097,709	\$1,097,709
TOTAL, ALL OTHER FUNDS	\$859,222	\$916,858	\$944,138	\$1,097,709	\$1,097,709
GRAND TOTAL	\$5,237,559	\$5,619,050	\$5,601,831	\$5,648,603	\$5,598,203
FULL-TIME-EQUIVALENT POSITIONS	106.0	107.0	107.0	107.0	107.0

SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date :09/20/2000
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Agency code: 479		Agency name: STATE OFFICE OF RISK MANAGEMENT				
	Goal/ Objective / OUTCOME	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
1	Manage Workers' Compensation Costs					
	<i>1 Risk Management</i>					
KEY	1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	4.70%	4.69%	5.00%	5.00%	5.00%
	2 % State Agencies with Approved Written Risk Management Plans	100.00%	100.00%	100.00%	100.00%	100.00%
	<i>2 Claims Administration</i>					
KEY	1 Cost of Workers' Compensation per Covered State Employee	323.00	383.00	405.00	424.00	443.00

SUMMARY OF EXCEPTIONAL ITEMS REQUEST
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Priority	Item	2002			2003			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Unfunded Mandates	\$134,000	\$134,000	0.0	\$134,000	\$134,000	0.0	\$268,000	\$268,000
2	Strengthen Claims Processing	\$324,986	\$324,986	6.0	\$247,830	\$247,830	6.0	\$572,816	\$572,816
3	Increase Travel Authority	\$0	\$0		\$0	\$0		\$0	\$0
4	Capital & E-Government	\$148,230	\$195,015	0.0	\$99,330	\$126,015	0.0	\$247,560	\$321,030
5	Fraud Initiative	\$198,188	\$198,188	3.0	\$146,710	\$146,710	3.0	\$344,898	\$344,898
Total, Exceptional Items Request		\$805,404	\$852,189	9.0	\$627,870	\$654,555	9.0	\$1,433,274	\$1,506,744
Method of Financing									
	General Revenue		\$805,404			\$627,870			\$1,433,274
	General Revenue - Dedicated								
	Federal Funds								
	Other Funds		\$46,785			\$26,685			\$73,470
		\$805,404	\$852,189		\$627,870	\$654,555		\$1,433,274	\$1,506,744

Full Time Equivalent Positions

9.0

9.0

SUMMARY OF TOTAL REQUEST BY STRATEGY
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 09/20/2000
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Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

<i>Goal/Objective/STRATEGY</i>	Base 2002	Base 2003	Exceptional 2002	Exceptional 2003	Total Request 2002	Total Request 2003
1 Manage Workers' Compensation Costs						
1 <i>Risk Management</i>						
1 RISK MANAGEMENT PROGRAM	\$1,097,709	\$1,097,709	\$46,785	\$26,685	\$1,144,494	\$1,124,394
2 <i>Claims Administration</i>						
1 PAY WORKERS' COMPENSATION	\$4,550,894	\$4,500,494	\$805,404	\$627,870	\$5,356,298	\$5,128,364
TOTAL, GOAL 1	\$5,648,603	\$5,598,203	\$852,189	\$654,555	\$6,500,792	\$6,252,758
	\$5,648,603	\$5,598,203	\$852,189	\$654,555	\$6,500,792	\$6,252,758
GRAND TOTAL, AGENCY REQUEST	\$5,648,603	\$5,598,203	\$852,189	\$654,555	\$6,500,792	\$6,252,758

SUMMARY OF TOTAL REQUEST BY STRATEGY
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 09/20/2000
 TIME : 3:08:56PM
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Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

<i>Goal/Objective/STRATEGY</i>	Base 2002	Base 2003	Exceptional 2002	Exceptional 2003	Total Request 2002	Total Request 2003
General Revenue Funds:						
1 GENERAL REVENUE FUND	\$4,550,894	\$4,500,494	\$805,404	\$627,870	\$5,356,298	\$5,128,364
	\$4,550,894	\$4,500,494	\$805,404	\$627,870	\$5,356,298	\$5,128,364
Other Funds:						
777 INTERAGENCY CONTRACTS	\$1,097,709	\$1,097,709	\$46,785	\$26,685	\$1,144,494	\$1,124,394
	\$1,097,709	\$1,097,709	\$46,785	\$26,685	\$1,144,494	\$1,124,394
TOTAL, METHOD OF FINANCING	\$5,648,603	\$5,598,203	\$852,189	\$654,555	\$6,500,792	\$6,252,758
FULL TIME EQUIVALENT POSITIONS	107.0	107.0	9.0	9.0	116.0	116.0

SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation system of Texas (ABEST)

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Agency code: 479		Agency name: STATE OFFICE OF RISK MANAGEMENT				
Goal/ Objective / OUTCOME	BL 2002	BL 2003	Excp 2002	Excp 2003	Total Request	Total Request
1 Manage Workers' Compensation Costs						
1 Risk Management						
KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	5.00%	5.00%	0.00 %	0.00%	5.00%	5.00%
2 % State Agencies with Approved Written Risk Management Plans	100.00%	100.00%	0.00 %	0.00%	100.00%	100.00%
2 Claims Administration						
KEY 1 Cost of Workers' Compensation per Covered State Employee	424.00	443.00	429.00	446.00	429.00	446.00

PRIORITY ALLOCATION TABLE

DATE: **09/20/2000**

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

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Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

2000-01 Biennial Funding	
Total:	\$11,220,881
GR / GR-Dedicated:	\$9,359,885

Strategy/Strategy Option/Rider	BL 2002 Funds		BL 2003 Funds		Cumulative % of 2000-01 GR / GR-Dedicated Funds
	Total	GR and GR-Dedicated	Total	GR and GR-Dedicated	
Strategy: 1 - 1 - 1 RISK MANAGEMENT PROGRAM	\$1,097,709	\$0	\$1,097,709	\$0	0.00%
Strategy: 1 - 2 - 1 PAY WORKERS' COMPENSATION	\$4,550,894	\$4,550,894	\$4,500,494	\$4,500,494	96.70%
TOTAL	\$5,648,603	\$4,550,894	\$5,598,203	\$4,500,494	

STRATEGY REQUEST

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
TIME: 3:13:20PM
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Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

GOAL: 1 Manage Workers' Compensation Costs

Statewide Goal/Benchmark: 7 2

OBJECTIVE: 1 Risk Management

Service Categories:

STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms

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

CODE	DESCRIPTION	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
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1 Number Written Risk Management Program Reviews Conducted

2 Number of On-site Consultations Conducted

3 Number of Risk Management Training Sessions Conducted

1 Cost Per Hour of Direct Risk Management Service Provided

1 % State Agency Facility Locations Provided On-site Consultations

1001 SALARIES AND WAGES

1002 OTHER PERSONNEL COSTS

2000 OPERATING COSTS

5000 CAPITAL EXPENDITURES

1 GENERAL REVENUE FUND

777 INTERAGENCY CONTRACTS

STRATEGY REQUEST

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 2
OBJECTIVE: 1 Risk Management Service Categories:
STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$ 1,097,709	\$ 1,097,709
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$ 972,184	\$ 1,075,025	\$ 1,120,392	\$ 1,097,709	\$ 1,097,709
FULL TIME EQUIVALENT POSITIONS:		22.0	24.0	24.0	24.0	24.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

The Risk Management strategy of the State Office of Risk Management (SORM) is responsible for identifying risks, recommending corrective action, providing expertise and training to state agencies, to reduce losses and protect state resources. As the State Risk Manager, the Executive Director supervises the development and administration of systems to perform these duties, and oversees a staff of professional risk managers who provide services across the state. (Texas Labor Code, 142.041 (a) & (b)) The Executive Director prepares a report to the Legislature that details information on risk exposure and related losses of state agencies for property, liability, financial and personnel resources, including workers' compensation losses. (Texas Labor Code, 412.042) The cost of administering the state risk management program is allocated to state agencies by interagency contracts. (Texas Labor Code 412.012(b))

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Under existing statutes SORM does not have compliance or enforcement authority over state agencies, their risk management programs, or efforts. SORM accomplishes its mission by promoting cooperation with client agencies. No mechanism exists to enforce client agency compliance with identified risk prevention and control measures. Oversight entities (Research Oversight Council on Workers' Compensation, House Committee on Business & Industry) have directed SORM to increase its presence in state agency locations. Pursuant to a State Auditor's report SORM has refocused its risk management efforts to increase the level of service provided to those agencies and locations which historically have produced the highest risk exposure and losses. Current restrictions upon SORM's travel authority limit program effectiveness because not all covered state agencies and their facilities can be afforded on-site consultations as identified by the risk assessment. In addition, SORM is limited in providing safety, risk management, and claims handling training by other state agency's ability to send their employees for training, if there is not sufficient authority to take the class to the employees. Baseline funding is sufficient to accommodate additional travel if corresponding travel authority is granted.

STRATEGY REQUEST

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs

Statewide Goal/Benchmark: 7 2

OBJECTIVE: 1 Risk Management

Service Categories:

STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms

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

CODE	DESCRIPTION	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
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1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

1 % Claims Processed within 7 Days

2 % of Medical Bills Paid within 45 Days

3 Average Cost to Administer Claim

1 Amount of Subrogation Payments Obtained

1001 SALARIES AND WAGES

1002 OTHER PERSONNEL COSTS

2000 OPERATING COSTS

5000 CAPITAL EXPENDITURES

1 GENERAL REVENUE FUND

777 INTERAGENCY CONTRACTS

STRATEGY REQUEST

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 2
OBJECTIVE: 2 Claims Administration Service Categories:
STRATEGY: 1 Review Claims, Determine Liability and Pay Eligible cCaims Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$ 4,550,894	\$ 4,500,494
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$ 4,265,375	\$ 4,544,025	\$ 4,481,439	\$ 4,550,894	\$ 4,500,494
FULL TIME EQUIVALENT POSITIONS:		84.0	83.0	83.0	83.0	83.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

SORM provides workers' compensation claims administration services to all state agencies with the exception of the University of Texas, Texas A&M University Systems, and the Texas Department of Transportation. (Texas Labor Code 412.011, 501.022, 501.24(b)(4)). SORM is responsible for receiving and investigating reports of injury filed on behalf of state employees, determining whether a claim is compensable, and paying income and medical benefits as due. SORM is further responsible for controlling costs associated with workers' compensation claims consistent with the provisions of the Labor Code. For injuries which occurred before September 1, 1995 SORM acts as both the insurer and the employer of injured state workers for purposes of complying with the workers' compensation. SORM acts in the capacity of the insurer only for injuries which occurred after September 1, 1995. This strategy contributes to the priority goal of General State Government to support effective, efficient, and accountable State government.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Medical costs for workers' compensation claims in Texas are rising at an alarming rate. These costs have grown steadily since 1995 and are expected to continue to rise due to increased medical utilization. According to the Texas Research and Oversight Council on Workers' Compensation (ROC), medical costs are 49 percent higher in Texas than the national average. The ROC reports that the average medical cost of workers' compensation claims in Texas is increasing over time and the average medical cost of workers' compensation claims in Texas is increasing at a faster rate relative to the experience of other states.

SORM has experienced high turnover among claims adjusters. SORM's FY 99 turnover rate as reported by the SAO was 41%. The FY 00 YTD rate of turnover is currently 35%. Experienced adjusters continue to be at a premium as other insurers struggle to keep their own costs down. As a result of continuing high turnover, SORM's adjusters tend to have less claims administration experience, require more supervision, and smaller caseloads.

The existing level of travel authority places SORM in the potentially untenable position of non-compliance with TWCC ordered hearings or the travel cap. Dependant upon levels of travel incurred by the agency as a whole, travel required for TWCC ordered hearings could cause the agency to exceed the existing travel cap. This issue is linked with risk management program effectiveness as well, as travel caps are set at the agency level.

STRATEGY REQUEST

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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SUMMARY TOTALS:

OBJECTS OF EXPENSE:	5,237,559	5,619,050	5,601,831	5,648,603	5,598,203
METHODS OF FINANCE (INCLUDING RIDERS):				5,648,603	5,598,203
METHODS OF FINANCE (EXCLUDING RIDERS):	5,237,559	5,619,050	5,601,831	5,648,603	5,598,203
FULL TIME EQUIVALENT POSITIONS:	106.0	107.0	107.0	107.0	107.0

Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office Of Risk Management	Prepared By: Gary Payne	Date: August 31, 2000	Request Level: Base																																																							
Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language																																																									
1	1-76	<p>Capital Budget</p> <p>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.</p> <p>a. Acquisition of Information Resource Technologies</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 10%;"><u>2000</u></th> <th style="text-align: right; width: 10%;"><u>2002</u></th> <th style="text-align: right; width: 10%;"><u>2001</u></th> <th style="text-align: right; width: 10%;"><u>2003</u></th> </tr> </thead> <tbody> <tr> <td>(1) Workstation Upgrades and Maintenance</td> <td style="text-align: right;">\$ <u>32,025</u></td> <td style="text-align: right;">\$ <u>134,400</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>0</u></td> </tr> <tr> <td>(2) Monitors Printers</td> <td style="text-align: right;">\$ <u>22,000</u></td> <td style="text-align: right;">\$ <u>31,015</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>31,015</u></td> </tr> <tr> <td>(3) Imaging System Upgrades</td> <td style="text-align: right;">\$ <u>125,000</u></td> <td style="text-align: right;">\$ <u>50,000</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>50,000</u></td> </tr> <tr> <td>(4) Server</td> <td></td> <td style="text-align: right;">\$ <u>0</u></td> <td></td> <td style="text-align: right;">\$ <u>30,000</u></td> </tr> <tr> <td>(5) Website Accessibility Software</td> <td></td> <td style="text-align: right;">\$ <u>30,000</u></td> <td></td> <td style="text-align: right;">\$ <u>15,000</u></td> </tr> <tr> <td>Total Capital Budget</td> <td style="text-align: right;">\$ <u>179,025</u></td> <td style="text-align: right;">\$ <u>245,415</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>126,015</u></td> </tr> <tr> <td colspan="5">Method Of Financing (Capital Budget):</td> </tr> <tr> <td>General Revenue Fund</td> <td style="text-align: right;">\$ <u>172,378</u></td> <td style="text-align: right;">\$ <u>198,630</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>99,330</u></td> </tr> <tr> <td>Interagency Contracts</td> <td style="text-align: right;">\$ <u>6,647</u></td> <td style="text-align: right;">\$ <u>46,785</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>26,685</u></td> </tr> <tr> <td>Total, Method of Financing</td> <td style="text-align: right;">\$ <u>179,025</u></td> <td style="text-align: right;">\$ <u>245,415</u></td> <td style="text-align: right;">\$ <u>0</u></td> <td style="text-align: right;">\$ <u>126,015</u></td> </tr> </tbody> </table> <p><i>The rider has been changed to reflect the 2002-03 Capital Budget Request. An explanation of the requested items and impact on agency operations should be included in the Capital Supporting Schedule.</i></p>				<u>2000</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>	(1) Workstation Upgrades and Maintenance	\$ <u>32,025</u>	\$ <u>134,400</u>	\$ <u>0</u>	\$ <u>0</u>	(2) Monitors Printers	\$ <u>22,000</u>	\$ <u>31,015</u>	\$ <u>0</u>	\$ <u>31,015</u>	(3) Imaging System Upgrades	\$ <u>125,000</u>	\$ <u>50,000</u>	\$ <u>0</u>	\$ <u>50,000</u>	(4) Server		\$ <u>0</u>		\$ <u>30,000</u>	(5) Website Accessibility Software		\$ <u>30,000</u>		\$ <u>15,000</u>	Total Capital Budget	\$ <u>179,025</u>	\$ <u>245,415</u>	\$ <u>0</u>	\$ <u>126,015</u>	Method Of Financing (Capital Budget):					General Revenue Fund	\$ <u>172,378</u>	\$ <u>198,630</u>	\$ <u>0</u>	\$ <u>99,330</u>	Interagency Contracts	\$ <u>6,647</u>	\$ <u>46,785</u>	\$ <u>0</u>	\$ <u>26,685</u>	Total, Method of Financing	\$ <u>179,025</u>	\$ <u>245,415</u>	\$ <u>0</u>	\$ <u>126,015</u>
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Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
2	1-77	<p>Contingency Appropriation for Senate Bill 1590.</p> <p>Contingent upon the enactment of Senate Bill 1590, or similar legislation relating to the detection, investigation and prosecution of fraud in the workers' compensation program for state employees, by the Seventy-sixth Legislature, Regular Session, the State Office of Risk Management is hereby appropriated \$430,411 for fiscal year 2000 and \$346,781 for fiscal year 2001 out of the General Revenue Fund for the purposes of implementing that Act. The State Office of Risk Management is hereby authorized to transfer the appropriation made pursuant to this provision to the appropriate strategy items listed above. Also contingent on the enactment of Senate Bill 1590, or similar legislation, the "Number of Full Time Equivalent Positions (FTE)" figure indicated above is hereby increased by 6.0 for fiscal year 2000 and by 6.0 for fiscal year 2001.</p> <p><i>The rider is not necessary for the 2002-03 biennium. Senate Bill 1590 was not enacted.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
701	1	<p><u>Client Agency Recognition</u></p> <p><u>As a component of the statewide risk management program, the State Office of Risk Management is authorized to expend an amount not to exceed \$1,000 annually for plaques and awards from the funds appropriated to the risk management program above for the purpose of recognizing agencies for improved performance or continued excellence in risk management and safety.</u></p> <p><i>This new rider is requested to clarify SORM's ability to present agencies with certificates or plaques for either improved performance or outstanding performance relative to other covered agencies.</i></p>

EXCEPTIONAL ITEM REQUEST SCHEDULE
77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
TIME: **3:19:52PM**
PAGE: **1 of 61**

Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

CODE DESCRIPTION

Excp 2002

Excp 2003

EXCEPTIONAL ITEM REQUEST SCHEDULE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:19:52PM
 PAGE: 2 of 61

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

CODE	DESCRIPTION	Excp 2002	Excp 2003
	Item Name: Unfunded Mandates		
	Item Priority: 1		
	Includes Funding for the Following Strategy or Strategies:		
	01-02-01 Review Claims, Determine Liability and Pay Eligible cCaims		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	74,000	74,000
2000	OPERATING COSTS	60,000	60,000
TOTAL, OBJECT OF EXPENSE		\$134,000	\$134,000
METHOD OF FINANCING:			
1	GENERAL REVENUE FUND		
TOTAL, METHOD OF FINANCING		\$134,000	\$134,000

DESCRIPTION / JUSTIFICATION:

Funding requested to meet recurring expenditures incurred in complying with:

1. The State of Texas Classification Act, revised September 1, 1999, reallocated the Disability Determination Officer series to the Disability Determination Examination series with a substantial increase in the minimum salary of each group in the new series, but without a corresponding appropriation. This resulted in SORM having to divert funds from other budgeted items to comply with the reclassifications which became effective September 1, 1999.
2. Implementation of a toll-free client call line was required by TWCC rule 102.4(c) for all carriers and took effect on August 29, 1999. Unlike other carriers, SORM has no ability to pass the cost of such regulatory mandates on through premiums, and requires an appropriation to cover the related costs.

EXTERNAL/INTERNAL FACTORS:

Both of the items identified in this exceptional item are mandates imposed upon SORM after the close of the last state budget cycle for which no appropriation was made. SORM has no option but to comply with these legal requirements.

EXCEPTIONAL ITEM REQUEST SCHEDULE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:19:52PM
 PAGE: 3 of 61

Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

CODE	DESCRIPTION	Excp 2002	Excp 2003
	Item Name: Strengthen Claims Processing		
	Item Priority: 2		
	Includes Funding for the Following Strategy or Strategies:		
	01-02-01 Review Claims, Determine Liability and Pay Eligible cCaims		
 OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	217,008	217,008
2000	OPERATING COSTS	107,978	30,822
TOTAL, OBJECT OF EXPENSE		\$324,986	\$247,830
 METHOD OF FINANCING:			
1	GENERAL REVENUE FUND		
TOTAL, METHOD OF FINANCING		\$324,986	\$247,830

DESCRIPTION / JUSTIFICATION:

Funding is requested to strengthen SORM's claim processing function and address the impact of turnover. Additional FTEs will enhance claim processing by reducing average caseloads and supervisory oversight of claims. Additional FTEs will also reduce the negative impact of case file transfers due to adjuster turnover and promote efficient and effective claims management.

EXTERNAL/INTERNAL FACTORS:

This exceptional item is requested to strengthen the following aspects of claims processing and address the impact of adjuster turnover:

1. Additional claim adjuster FTEs (3) are requested to reduce average caseloads and strengthen oversight of claims expenses. These additional FTEs will also reduce the negative impact of case file transfers, which has occurred with the historical rate of adjuster turnover, and promote efficient and effective claims management.
2. As a result of continuing high turnover, SORM's adjusters tend to have less claims administration experience and require a higher level of supervision. Increasing the level of supervision by (3) FTEs will enhance and strengthen the claims processing function.

EXCEPTIONAL ITEM REQUEST SCHEDULE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:19:52PM
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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

CODE	DESCRIPTION	Excp 2002	Excp 2003
	Item Name: Increase Travel Authority Item Priority: 3 Includes Funding for the Following Strategy or Strategies:		
	01-01-01 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms		
	01-02-01 Review Claims, Determine Liability and Pay Eligible cCaims		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	0	0
2000	OPERATING COSTS	0	0
TOTAL, OBJECT OF EXPENSE		\$0	\$0
METHOD OF FINANCING:			
1	GENERAL REVENUE FUND		
777	INTERAGENCY CONTRACTS		
TOTAL, METHOD OF FINANCING		\$0	\$0

DESCRIPTION / JUSTIFICATION:

Additional authority to travel is requested to accommodate statutory requirements, achievement of performance measures, and SAO audit recommendations warranting increased agency travel. No additional funds are requested as it is estimated that baseline funding can absorb the \$25,000 in additional authority requested.

EXTERNAL/INTERNAL FACTORS:

SORM has exceeded its travel cap in the previous 2 fiscal years, although by less than 1% each year. Statutory travel to attend hearings related to workers' compensation disputes, continues to be a significant part of agency's travel budget and by its nature it is not sufficiently predictable to accurately budget. Hearings on workers' compensation disputes are set by the Texas Workers' Compensation Commission, and attendance by SORM is mandatory, subject to fines for non-appearance. SORM can predict in general terms the number of hearings it will have in a given period, but has no control over where those hearings will be held. Significant differences in travel costs exist for venues across the state. As a result, to guarantee that the agency will not exceed its current cap, it must reserve a significant portion of its travel authority through its peak hearing season in July and August of each year, at the cost of pursuing travel for other priorities such as risk management, training of client agency staff, and fraud investigation.

EXCEPTIONAL ITEM REQUEST SCHEDULE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
 TIME: **3:19:52PM**
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

CODE	DESCRIPTION	Excp 2002	Excp 2003
	Item Name: Capital Items & E-Government Initiative		
	Item Priority: 4		
	Includes Funding for the Following Strategy or Strategies:		
	01-01-01 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms		
	01-02-01 Review Claims, Determine Liability and Pay Eligible cCaims		
OBJECTS OF EXPENSE:			
5000	CAPITAL EXPENDITURES	195,015	126,015
	TOTAL, OBJECT OF EXPENSE	\$195,015	\$126,015
METHOD OF FINANCING:			
1	GENERAL REVENUE FUND		
777	INTERAGENCY CONTRACTS		
	TOTAL, METHOD OF FINANCING	\$195,015	\$126,015

DESCRIPTION / JUSTIFICATION:

Funding requested for:

1. Workflow module and associated development costs for the document imaging system, including on-going annual support.
2. Replacement of equipment as warranties expire and equipment becomes obsolete. Servers, Printers, and Personal Computers (PCs) were purchased during FY 98 and came with 3 year warranties. SORM must prepare to replace printers, PC central processing units (CPU) after the warranties expire, which will occur during FY 2002 and 2003. There are 70 CPUs @ \$1,200 unit cost, 22 local printers @ \$950 unit cost, and 18 network printers @ \$2,285 unit cost. The server has a 3 year warranty and a 5 year life span, which will expire during FY 2002.
3. It is desired to purchase SAS Internet and SAS/Share software to assist with information distribution needs. Client agencies need information on where they are experiencing losses to identify solutions. Historically SORM staff has prepared ad hoc reports for client agencies but due to increased demand for IR support, the current staffing is inadequate to meet the needs of all agencies. The software will provide client agencies with the ability to reach information within SORM's data warehouse themselves and produce ad hoc reports via the internet.

EXTERNAL/INTERNAL FACTORS:

SORM has adopted a common software platform for imaging with the Office of the Attorney General to insure that the OAG can support the application and to save money. The common system has annual fees not covered in the capital budget. Development of workflow in SORM's imaging system will enhance claim management productivity. Equipment replacement/CPU upgrades will maintain system serviceability and utility throughout the next biennium and prevent degradation of system capability due to obsolescence. Customer service requirements of covered state agencies warrants enhancement of data accessibility.

EXCEPTIONAL ITEM REQUEST SCHEDULE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:19:52PM
 PAGE: 6 of 61

Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

CODE	DESCRIPTION	Excp 2002	Excp 2003
	Item Name: Fraud Initiative		
	Item Priority: 5		
	Includes Funding for the Following Strategy or Strategies:		
	01-02-01 Review Claims, Determine Liability and Pay Eligible cCaims		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	113,000	113,000
2000	OPERATING COSTS	85,188	33,710
TOTAL, OBJECT OF EXPENSE		\$198,188	\$146,710
METHOD OF FINANCING:			
1	GENERAL REVENUE FUND		
TOTAL, METHOD OF FINANCING		\$198,188	\$146,710

DESCRIPTION / JUSTIFICATION:

Funding requested to upgrade SORM's fraud and abuse detection unit to provide better control of provider fraud. The purpose of this initiative is to limit the State's exposure to fraud and abuse by medical providers in the state's workers' compensation program. Additional staff and operating costs are warranted to address existing fraud concerns as reported in the prior Texas performance Review study. Current resources are not sufficient to address previously reported indicators of fraud or implement all recommendations. This exceptional item may be impacted by the current Texas Performance Review study which should be released in time for the 77th legislative session.

EXTERNAL/INTERNAL FACTORS:

As reported to the 76th Legislature, fraud and abuse continue to be a concern for Texas workers' compensation carriers. The Texas Performance Review (TPR) identified significant potential for fraud in its report to the legislature in 1999. While SORM did not concur with all of the findings and recommendations contained in the report, SORM does believe that the evidence supports committing additional resources to the detection, investigation and prosecution of those who abuse the system. SORM has been unable to implement many of the recommendations from the TPR report due to lack statutory authority or resources. The addition of (3) FTEs would provide an programmer, an investigator, a support for document gathering necessary to building a case suitable for presentation to prosecutors.

EXCEPTIONAL ITEMS STRATEGY REQUEST
77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
TIME: 3:25:18PM
PAGE: 1 of 31

Agency Code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 -2
OBJECTIVE: 1 Risk Management Service Categories:
STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

CODE DESCRIPTION **Excp 2002** **Excp 2003**

EXCEPTIONAL ITEMS STRATEGY REQUEST
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
TIME: 3:25:18PM
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Agency Code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 -2
 OBJECTIVE: 1 Risk Management Service Categories:
 STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Excp 2002	Excp 2003
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EFFICIENCY MEASURES:

<u>1</u> Cost Per Hour of Direct Risk Management Service Provided	100.61	98.84
-------------------------------------------------------------------	--------	-------

EXPLANATORY/INPUT MEASURES:

<u>1</u> % State Agency Facility Locations Provided On-site Consultations	18.25 %	18.25 %
---------------------------------------------------------------------------	---------	---------

OBJECTS OF EXPENSE:

5000 CAPITAL EXPENDITURES	46,785	26,685
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Total, Objects of Expense

METHOD OF FINANCING:

777 INTERAGENCY CONTRACTS

Total, Method of Finance

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Increase Travel Authority

Capital Items & E-Government Initiative

EXCEPTIONAL ITEMS STRATEGY REQUEST
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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PAGE: 3 of 31

Agency Code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 -2
 OBJECTIVE: 2 Claims Administration Service Categories:
 STRATEGY: 1 Review Claims, Determine Liability and Pay Eligible cCaims Service: 05 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2002	Excp 2003
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STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee	429.00	446.00
-------------------------------------------------------------------	--------	--------

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days	100.00 %	100.00 %
2 % of Medical Bills Paid within 45 Days	100.00 %	100.00 %
3 Average Cost to Administer Claim	380.00	364.00

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained	550,000.00	550,000.00
--------------------------------------------------	------------	------------

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	404,008	404,008
2000 OPERATING COSTS	253,166	124,532
5000 CAPITAL EXPENDITURES	148,230	99,330

Total, Objects of Expense

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

Total, Method of Finance

FULL-TIME EQUIVALENT POSITIONS (FTE):

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Unfunded Mandates

Strengthen Claims Processing

Increase Travel Authority

Capital Items & E-Government Initiative

Fraud Initiative

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000

TIME: 3:24:08PM

PAGE: 1 of 81

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Excp 2002

Excp 2003

Item Name: Unfunded Mandates

Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible cCaims

STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee

OUTPUT MEASURES:

1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days % %

2 % of Medical Bills Paid within 45 Days % %

3 Average Cost to Administer Claim

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES

2000 OPERATING COSTS

TOTAL, OBJECT OF EXPENSE

\$134,000

\$134,000

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

TOTAL, METHOD OF FINANCING

\$134,000

\$134,000

FULL-TIME EQUIVALENT POSITIONS (FTE):

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000

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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Excp 2002

Excp 2003

Item Name: Unfunded Mandates

Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible cCaims

STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee

OUTPUT MEASURES:

1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days % %

2 % of Medical Bills Paid within 45 Days % %

3 Average Cost to Administer Claim

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES

2000 OPERATING COSTS

TOTAL, OBJECT OF EXPENSE

\$324,986

\$247,830

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

TOTAL, METHOD OF FINANCING

\$324,986

\$247,830

FULL-TIME EQUIVALENT POSITIONS (FTE):

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**

TIME: **3:24:08PM**

PAGE: **3 of 81**

Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Excp 2002

Excp 2003

Item Name: Strengthen Claims Processing

Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible cCaims

STRATEGY IMPACT ON OUTCOME MEASURES:

- | | | |
|-------------------------------------------------------------------------------|---|---|
| <u>1</u> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees | % | % |
| <u>2</u> % State Agencies with Approved Written Risk Management Plans | % | % |

OUTPUT MEASURES:

- 1 Number Written Risk Management Program Reviews Conducted
- 2 Number of On-site Consultations Conducted
- 3 Number of Risk Management Training Sessions Conducted

EFFICIENCY MEASURES:

- 1 Cost Per Hour of Direct Risk Management Service Provided

EXPLANATORY/INPUT MEASURES:

- | | | |
|---------------------------------------------------------------------------|---|---|
| <u>1</u> % State Agency Facility Locations Provided On-site Consultations | % | % |
|---------------------------------------------------------------------------|---|---|

OBJECTS OF EXPENSE:

2000 OPERATING COSTS

TOTAL, OBJECT OF EXPENSE

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

METHOD OF FINANCING:

777 INTERAGENCY CONTRACTS

TOTAL, METHOD OF FINANCING

\$0	\$0
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EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000

TIME: 3:24:08PM

PAGE: 4 of 81

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Excp 2002

Excp 2003

Item Name: Increase Travel Authority

Allocation to Strategy: 1-1-1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt

STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee

OUTPUT MEASURES:

1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days % %

2 % of Medical Bills Paid within 45 Days % %

3 Average Cost to Administer Claim

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained

OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS

TOTAL, OBJECT OF EXPENSE

\$0

\$0

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

TOTAL, METHOD OF FINANCING

\$0

\$0

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Excp 2002

Excp 2003

Item Name: Increase Travel Authority

Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible cCaims

STRATEGY IMPACT ON OUTCOME MEASURES:

- | | | |
|-------------------------------------------------------------------------------|---|---|
| <u>1</u> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees | % | % |
| <u>2</u> % State Agencies with Approved Written Risk Management Plans | % | % |

OUTPUT MEASURES:

- 1 Number Written Risk Management Program Reviews Conducted
- 2 Number of On-site Consultations Conducted
- 3 Number of Risk Management Training Sessions Conducted

EFFICIENCY MEASURES:

- 1 Cost Per Hour of Direct Risk Management Service Provided

EXPLANATORY/INPUT MEASURES:

- | | | |
|---------------------------------------------------------------------------|---|---|
| <u>1</u> % State Agency Facility Locations Provided On-site Consultations | % | % |
|---------------------------------------------------------------------------|---|---|

OBJECTS OF EXPENSE:

5000 CAPITAL EXPENDITURES

TOTAL, OBJECT OF EXPENSE

\$46,785	\$26,685
-----------------	-----------------

METHOD OF FINANCING:

777 INTERAGENCY CONTRACTS

TOTAL, METHOD OF FINANCING

\$46,785	\$26,685
-----------------	-----------------

FULL-TIME EQUIVALENT POSITIONS (FTE):

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Excp 2002

Excp 2003

Item Name: Capital Items & E-Government Initiative

Allocation to Strategy: 1-1-1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt

STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee

OUTPUT MEASURES:

1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days % %

2 % of Medical Bills Paid within 45 Days % %

3 Average Cost to Administer Claim

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained

OBJECTS OF EXPENSE:

5000 CAPITAL EXPENDITURES

TOTAL, OBJECT OF EXPENSE

\$148,230

\$99,330

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

TOTAL, METHOD OF FINANCING

\$148,230

\$99,330

FULL-TIME EQUIVALENT POSITIONS (FTE):

EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1

Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Excp 2002

Excp 2003

Item Name: Fraud Initiative

Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible cCaims

STRATEGY IMPACT ON OUTCOME MEASURES:

1 Cost of Workers' Compensation per Covered State Employee

OUTPUT MEASURES:

1 Number of Initial Eligibility Determinations Made

2 Number of Medical Bills Processed

3 Number of Indemnity Bills Paid

EFFICIENCY MEASURES:

1 % Claims Processed within 7 Days % %

2 % of Medical Bills Paid within 45 Days % %

3 Average Cost to Administer Claim

EXPLANATORY/INPUT MEASURES:

1 Amount of Subrogation Payments Obtained

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES

2000 OPERATING COSTS

TOTAL, OBJECT OF EXPENSE

\$198,188

\$146,710

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

TOTAL, METHOD OF FINANCING

\$198,188

\$146,710

FULL-TIME EQUIVALENT POSITIONS (FTE):

CAPITAL BUDGET PROJECT SCHEDULE (PART A.1)
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
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Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code / Category Name

Project Number / Name

OOE / TOF / MOF CODE

Est 2000

Bud 2001

BL 2002

BL 2003

5005Acquisition of Information Resource Technologies

2 Upgrade Existing Personal Computer CPUs

Objects of Expense

5000 CAPITAL EXPENDITURES

\$0

\$54,025

\$50,400

\$0

Subtotal OOE, Project 2

\$0

\$54,025

\$50,400

\$0

Type of Financing

CA 1 GENERAL REVENUE FUND

\$0

\$47,378

\$50,400

\$0

CA 777 INTERAGENCY CONTRACTS

\$0

\$6,647

\$0

\$0

Subtotal TOF, Project 2

\$0

\$54,025

\$50,400

\$0

3 Replace Printers

Objects of Expense

5000 CAPITAL EXPENDITURES

\$0

\$0

\$0

\$0

Subtotal OOE, Project 3

\$0

\$0

\$0

\$0

Type of Financing

CA 1 GENERAL REVENUE FUND

\$0

\$0

\$0

\$0

CA 777 INTERAGENCY CONTRACTS

\$0

\$0

\$0

\$0

Subtotal TOF, Project 3

\$0

\$0

\$0

\$0

4 Replace Server

Objects of Expense

5000 CAPITAL EXPENDITURES

\$0

\$0

\$0

\$0

Subtotal OOE, Project 4

\$0

\$0

\$0

\$0

Type of Financing

CA 1 GENERAL REVENUE FUND

\$0

\$0

\$0

\$0

CA 777 INTERAGENCY CONTRACTS

\$0

\$0

\$0

\$0

Subtotal TOF, Project 4

\$0

\$0

\$0

\$0

5 E-Government Website Accessibility Software

Objects of Expense

5000 CAPITAL EXPENDITURES

\$0

\$0

\$0

\$0

Subtotal OOE, Project 5

\$0

\$0

\$0

\$0

Type of Financing

CA 1 GENERAL REVENUE FUND

\$0

\$0

\$0

\$0

CAPITAL BUDGET PROJECT SCHEDULE (PART A.1)
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code / Category Name

Project Number / Name

OOE / TOF / MOF CODE

Est 2000

Bud 2001

BL 2002

BL 2003

CA	777 INTERAGENCY CONTRACTS	\$0	\$0	\$0	\$0
Subtotal TOF, Project		\$0	\$0	\$0	\$0
Subtotal Category		\$0	\$54,025	\$50,400	\$0

5007 Acquisition of Capital Equipment and Items

1 Document Imaging

Objects of Expense

5000 CAPITAL EXPENDITURES

	1	\$135,460	\$10,000	\$0	\$0
--	---	-----------	----------	-----	-----

Subtotal OOE, Project		\$135,460	\$10,000	\$0	\$0
------------------------------	--	------------------	-----------------	------------	------------

Type of Financing

CA 1 GENERAL REVENUE FUND

	1	\$135,460	\$10,000	\$0	\$0
--	---	-----------	----------	-----	-----

Subtotal TOF, Project		\$135,460	\$10,000	\$0	\$0
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Subtotal Category		\$135,460	\$10,000	\$0	\$0
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AGENCY TOTAL		\$135,460	\$64,025	\$50,400	\$0
---------------------	--	------------------	-----------------	-----------------	------------

METHOD OF FINANCING:

1 GENERAL REVENUE FUND

		\$135,460	\$57,378	\$50,400	\$0
--	--	-----------	----------	----------	-----

777 INTERAGENCY CONTRACTS

		\$0	\$6,647	\$0	\$0
--	--	-----	---------	-----	-----

Total, Method of Financing		\$135,460	\$64,025	\$50,400	\$0
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TYPE OF FINANCING:

CA CURRENT APPROPRIATIONS

		\$135,460	\$64,025	\$50,400	\$0
--	--	-----------	----------	----------	-----

Total, Type of Financing		\$135,460	\$64,025	\$50,400	\$0
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CAPITAL BUDGET PROJECT SCHEDULE (PART A.1) - EXCEPTIONAL
77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code / Category Name
Project Number / Name
OOE / TOF / MOF CODE

Excp 2002

Excp 2003

5005Acquisition of Information Resource Technologies

2 PC Refresh

Objects of Expense

5000 CAPITAL EXPENDITURES

84,000

0

Subtotal OOE, Project 2

84,000

0

Type of Financing

CA 1 GENERAL REVENUE FUND

56,400

0

CA 777 INTERAGENCY CONTRACTS

27,600

0

Subtotal TOF, Project 2

84,000

0

3 Printer Replacement

Objects of Expense

5000 CAPITAL EXPENDITURES

31,015

31,015

Subtotal OOE, Project 3

31,015

31,015

Type of Financing

CA 1 GENERAL REVENUE FUND

26,830

26,830

CA 777 INTERAGENCY CONTRACTS

4,185

4,185

Subtotal TOF, Project 3

31,015

31,015

4 Server Replacement

Objects of Expense

5000 CAPITAL EXPENDITURES

0

30,000

Subtotal OOE, Project 4

0

30,000

Type of Financing

CA 1 GENERAL REVENUE FUND

0

15,000

CA 777 INTERAGENCY CONTRACTS

0

15,000

Subtotal TOF, Project 4

0

30,000

CAPITAL BUDGET PROJECT SCHEDULE (PART A.1) - EXCEPTIONAL
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
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Agency code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT

Category Code / Category Name
 Project Number / Name
 OOE / TOF / MOF CODE

		Excp 2002	Excp 2003
5 E-Government			
Objects of Expense			
5000 CAPITAL EXPENDITURES		30,000	15,000
Subtotal OOE, Project	5	30,000	15,000
Type of Financing			
CA	1 GENERAL REVENUE FUND	15,000	7,500
CA	777 INTERAGENCY CONTRACTS	15,000	7,500
Subtotal TOF, Project	5	30,000	15,000
Subtotal Category	5005	145,015	76,015
5007Acquisition of Capital Equipment and Items			
1 Document Imaging			
Objects of Expense			
5000 CAPITAL EXPENDITURES		50,000	50,000
Subtotal OOE, Project	1	50,000	50,000
Type of Financing			
CA	1 GENERAL REVENUE FUND	50,000	50,000
Subtotal TOF, Project	1	50,000	50,000
Subtotal Category	5007	50,000	50,000
AGENCY TOTAL		195,015	126,015
METHOD OF FINANCING:			
1 GENERAL REVENUE FUND		148,230	99,330
777 INTERAGENCY CONTRACTS		46,785	26,685
Total, Method of Financing		195,015	126,015

CAPITAL BUDGET PROJECT SCHEDULE (PART A.1) - EXCEPTIONAL
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code / Category Name
Project Number / Name
OOE / TOF / MOF CODE

Excp 2002

Excp 2003

TYPE OF FINANCING:

CA CURRENT APPROPRIATIONS

Total, Type of Financing

195,015

126,015

195,015

126,015

CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (PART A.3 - BASE
77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Est 2000	Bud 2001	BL 2002	BL 2003
5005 Acquisition of Information Resource Technologies					
2 PC Refresh					
1 1 1	RISK MANAGEMENT PROGRAM	0	6,647	0	0
1 2 1	PAY WORKERS' COMPENSATION	0	47,378	50,400	0
TOTAL, PROJECT		\$0	\$54,025	\$50,400	\$0
3 Printer Replacement					
1 1 1	RISK MANAGEMENT PROGRAM	0	0	0	0
1 2 1	PAY WORKERS' COMPENSATION	0	0	0	0
TOTAL, PROJECT		\$0	\$0	\$0	\$0
4 Server Replacement					
1 1 1	RISK MANAGEMENT PROGRAM	0	0	0	0
1 2 1	PAY WORKERS' COMPENSATION	0	0	0	0
TOTAL, PROJECT		\$0	\$0	\$0	\$0
5 E-Government					
1 1 1	RISK MANAGEMENT PROGRAM	0	0	0	0
1 2 1	PAY WORKERS' COMPENSATION	0	0	0	0
TOTAL, PROJECT		\$0	\$0	\$0	\$0
5007 Acquisition of Capital Equipment and Items					
1 Document Imaging					
1 2 1	PAY WORKERS' COMPENSATION	135,460	10,000	0	0
TOTAL, PROJECT		\$135,460	\$10,000	\$0	\$0

CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (PART A.3 - BASE
77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Est 2000	Bud 2001	BL 2002	BL 2003
	TOTAL, ALL PROJECTS	\$135,460	\$64,025	\$50,400	\$0

CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (PART A.3) - EXCEPTIONAL
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
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Agency code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Excp 2002	Excp 2003
5005 Acquisition of Information Resource Technologies			
2	PC Refresh		
1 1 1	RISK MANAGEMENT PROGRAM	27,600	0
1 2 1	PAY WORKERS' COMPENSATION	56,400	0
TOTAL, PROJECT		84,000	0
3 Printer Replacement			
1 1 1	RISK MANAGEMENT PROGRAM	4,185	4,185
1 2 1	PAY WORKERS' COMPENSATION	26,830	26,830
TOTAL, PROJECT		31,015	31,015
4 Server Replacement			
1 1 1	RISK MANAGEMENT PROGRAM	0	15,000
1 2 1	PAY WORKERS' COMPENSATION	0	15,000
TOTAL, PROJECT		0	30,000
5 E-Government			
1 1 1	RISK MANAGEMENT PROGRAM	15,000	7,500
1 2 1	PAY WORKERS' COMPENSATION	15,000	7,500
TOTAL, PROJECT		30,000	15,000
5007 Acquisition of Capital Equipment and Items			
1	Document Imaging		
1 2 1	PAY WORKERS' COMPENSATION	50,000	50,000

CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (PART A.3) - EXCEPTIONAL
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
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Agency code: **479**

Agency name: **STATE OFFICE OF RISK MANAGEMENT**

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Excp 2002	Excp 2003
	TOTAL, PROJECT	50,000	50,000
	TOTAL, ALL PROJECTS	195,015	126,015

Agency Code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT
 Category Number: 5005 Category Name: ACQUISITN INFO RES TECH.
 Project number: 2 Project Name: PC Refresh

PROJECT DESCRIPTION

General Information

Retro-fitting/upgrading of central processing units (CPU's)for 70 Personal Computers (PC's)due to age and expiration of warranties.
 Upgrading existing units should maintain compatibility with current technology changes and improve serviceability which is decreasing as
 exisiting equipment ages.

Number of Units / Average Unit Cost \$1,200
Estimated Completion Date 8/31/02
Additional Capital Expenditure Amounts Required

	2004	2005
	0	0

Type of Financing CA CURRENT APPROPRIATIONS
Projected Useful Life 3-5 years
Estimated/Actual Project Cost \$134,400
Length of Financing/ Lease Period N/A - Outright Acquisition

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2002	2003	2004	2005	Total
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: As per General Information
Project Location: State Office of Risk Management
 Austin, Texas
Beneficiaries: Covered State Agencies
Frequency of Use and External Factors Affecting Use:
 Daily. Having up-to-date and reliable desk-top computers is especially critical to claims operation.

Agency Code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT
 Category Number: 5005 Category Name: ACQUISITN INFO RES TECH.
 Project number: 3 Project Name: Printer Replacement

PROJECT DESCRIPTION

General Information

Replacement of existing printers due to age and expiration of warranties. This project encompasses replacing 22 local printers at a unit cost of \$950 and 18 network printers at a unit cost of \$2,285.

Number of Units / Average Unit Cost \$950 - \$2,285
Estimated Completion Date 8/31/03
Additional Capital Expenditure Amounts Required

	2004	2005
	0	0

Type of Financing CA CURRENT APPROPRIATIONS
Projected Useful Life 3-5 years
Estimated/Actual Project Cost \$62,030
Length of Financing/ Lease Period N/A - Outright Acquisition

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2002	2003	2004	2005	Total
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: As per General Information
Project Location: State Office of Risk Management
 Austin, Texas
Beneficiaries: Covered client agencies.
Frequency of Use and External Factors Affecting Use:

Printers are utilized on a daily basis in the delivery of services by both strategies.

Agency Code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT
 Category Number: 5005 Category Name: ACQUISITN INFO RES TECH.
 Project number: 4 Project Name: Server Replacement

PROJECT DESCRIPTION

General Information

The existing server was purchased during FY 97 and its three year warranty will expire during FY2000. Replacement requested due to age of the current server and technology changes.

Number of Units / Average Unit Cost \$30,000
 Estimated Completion Date 8/31/03
 Additional Capital Expenditure Amounts Required 2004 2005
 0 0
 Type of Financing CA CURRENT APPROPRIATIONS
 Projected Useful Life 3 - 5 Years
 Estimated/Actual Project Cost \$30,000
 Length of Financing/ Lease Period N/A - Outright Acquisition

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2002	2003	2004	2005	Total
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: As per General Information
Project Location: State Office of Risk Management
 Austin, Texas
Beneficiaries: Covered Client Agencies.
Frequency of Use and External Factors Affecting Use:

A reliable server is required for SORM to operate on a daily basis.

Agency Code: 479 Agency name: STATE OFFICE OF RISK MANAGEMENT
 Category Number: 5005 Category Name: ACQUISITN INFO RES TECH.
 Project number: 5 Project Name: E-Government

PROJECT DESCRIPTION

General Information

Funding requested to purchase SAS internet and SAS Share/Software to assist with information distribution needs. The software will provide client agencies with the ability to reach information within the organizations data warehouse and produce ad hoc reports over the internet.

Number of Units / Average Unit Cost 0
 Estimated Completion Date November 2001
 Additional Capital Expenditure Amounts Required 2004 2005
 0 0

Type of Financing CA CURRENT APPROPRIATIONS
 Projected Useful Life On going, as long as licensing is maintained.
 Estimated/Actual Project Cost \$45,000
 Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2002	2003	2004	2005	Total
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: The ability of client agencies to access and produce on demand ad hoc reports will save time of SORM and client agencies staff in producing reports in the traditional manner, which is typically an interactive process. The increase to productivity cannot be readily estimated with precision.

Project Location: State Office of Risk Management
Austin, Texas

Beneficiaries: All state agencies covered by the risk management and workers' compensation strategies administered by SORM.

Frequency of Use and External Factors Affecting Use:

It is expected the starting frequency of use would be high, given the existing demand for ad hoc reports requested from SORM. It is anticipated that the frequency would increase over time as covered state agencies became more familiar with the application.

SUMMARY OF BASE REQUEST BY STRATEGY
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

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Agency code: 40A Agency name: WORKERS' COMPENSATION PAYMENTS

Goal / Objective / STRATEGY	EXP 1999	EST 2000	BUD 2001	REQ 2002	REQ 2003
1 Workers' Compensation Payments					
1 Workers' Compensation Payments					
1 WORKERS' COMPENSATION PAYMENTS	45,212,946	49,067,861	54,871,513	122,420,044	0
TOTAL, GOAL 1	\$45,212,946	\$49,067,861	\$54,871,513	\$122,420,044	\$0
TOTAL, AGENCY STRATEGY REQUEST	\$45,212,946	\$49,067,861	\$54,871,513	\$122,420,044	\$0
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				0	0
GRAND TOTAL, AGENCY REQUEST	\$45,212,946	\$49,067,861	\$54,871,513	\$122,420,044	\$0
METHOD OF FINANCING:					
1 General Revenue Fund					
	\$26,755,641	\$48,655,361	\$36,459,013	\$103,595,044	\$0
666 Appropriated Receipts					
	\$457,305	\$412,500	\$412,500	\$825,000	\$0
788 Attorney General Debt Collection Receipts					
	\$18,000,000	\$0	\$18,000,000	\$18,000,000	\$0
TOTAL, METHOD OF FINANCING	\$45,212,946	\$49,067,861	\$54,871,513	\$122,420,044	\$0

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

SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 09/20/2000
 TIME: 3:48:18PM
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Agency code: 40A

Agency name: WORKERS' COMPENSATION PAYMENTS

METHOD OF FINANCING	EXP 1999	EST 2000	BUD 2001	REQ 2002	REQ 2003
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations	14,255,641	55,155,361	18,044,872	103,595,044	0
<i>RIDER APPROPRIATION</i>					
Art. I, Rider 4, Appn. - Expenditure for Prior Year's Claims	6,500,000	-6,500,000	0	0	0
<i>SUPPLMNTL, SPECIAL APPRO.</i>					
Emergency Appropriation, S.B. 472	6,000,000	0	0	0	0
Supplemental Appropriation Workers' Compensation Payments	0	0	18,414,141	0	0
TOTAL, General Revenue Fund	\$26,755,641	\$48,655,361	\$36,459,013	\$103,595,044	\$0
<u>788</u> Attorney General Debt Collection Receipts					
<i>REGULAR APPROPRIATIONS</i>					
Attorney General Debt Collections	18,000,000	0	18,000,000	18,000,000	0
TOTAL, Attorney General Debt Collection Receipts	\$18,000,000	\$0	\$18,000,000	\$18,000,000	\$0
TOTAL, ALL GENERAL REVENUE	\$44,755,641	\$48,655,361	\$54,459,013	\$121,595,044	\$0

OTHER FUNDS

666 Appropriated Receipts

REGULAR APPROPRIATIONS

SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **09/20/2000**
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 PAGE: **2 of**

Agency code: **40A**

Agency name: **WORKERS' COMPENSATION PAYMENTS**

METHOD OF FINANCING	EXP 1999	EST 2000	BUD 2001	REQ 2002	REQ 2003
Regular Appropriations	609,740	550,000	550,000	1,100,000	0
<i>TRANSFERS</i>					
Art. I, Rider 1, Appn.- Subrogation Receipts (25% to Agencies)	-152,435	-137,500	-137,500	-275,000	0
TOTAL, Appropriated Receipts	\$457,305	\$412,500	\$412,500	\$825,000	\$0
TOTAL, ALL OTHER FUNDS	\$457,305	\$412,500	\$412,500	\$825,000	\$0
GRAND TOTAL	\$45,212,946	\$49,067,861	\$54,871,513	\$122,420,044	\$0
FULL-TIME-EQUIVALENT POSITIONS	0.0	0.0	0.0	0.0	0.0

SUMMARY OF TOTAL REQUEST BY STRATEGY
 77TH REGULAR SESSION, AGENCY SUBMISSION, VERSION 1
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Agency code: 40A Agency name: WORKERS' COMPENSATION PAYMENTS

<i>Goal/Objective/STRATEGY</i>	Base 2002	Base 2003	Exceptional 2002	Exceptional 2003	Total Request 2002	Total Request 2003
1 Workers' Compensation Payments						
1 <i>Workers' Compensation Payments</i>						
1 WORKERS' COMPENSATION PAYMENTS	\$122,420,044	\$0	\$0	\$0	\$122,420,044	\$0
TOTAL, GOAL 1	\$122,420,044	\$0	\$0	\$0	\$122,420,044	\$0
	\$122,420,044	\$0	\$0	\$0	\$122,420,044	\$0
GRAND TOTAL, AGENCY REQUEST	\$122,420,044	\$0	\$0	\$0	\$122,420,044	\$0

STRATEGY REQUEST

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Agency code: **40A** Agency name: **WORKERS' COMPENSATION PAYMENTS**

GOAL: 1 Workers' Compensation Payments
OBJECTIVE: 1 Workers' Compensation Payments
STRATEGY: 1 Workers' Compensation Payments

Statewide Goal/Benchmark: 7 2
Service Categories:
Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 1999	Est 2000	Bud 2001	BL 2002	BL 2003
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2000 OPERATING COSTS

1 GENERAL REVENUE FUND

788 AG DEBT COLLECTION

666 APPROPRIATED RECEIPTS

TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$ 122,420,044	\$ 0
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TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)	\$ 45,212,946	\$ 49,067,861	\$ 54,871,513	\$ 122,420,044	\$ 0
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FULL TIME EQUIVALENT POSITIONS:	0.0	0.0	0.0	0.0	0.0
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STRATEGY DESCRIPTION AND JUSTIFICATION:

This strategy is a separate appropriation for paying medical expenses and compensation to injured state workers. SORM provides workers' compensation claims administration services to state agencies, excluding the University of Texas and Texas A&M University Systems, and the Texas Department of Transportation. (Texas Labor Code, 412.011 (b) (4)) SORM is responsible for receiving and reports of injury filed on behalf of state employees, determining whether a claim is compensable, paying income and medical benefits as due, and to act in the capacity of insurer. This strategy contributes directly to the priority goal of General State Government to support effective, efficient and accountable state government operations.

STRATEGY REQUEST

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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Medical costs for workers' compensation claims in Texas are rising at an alarming rate. These costs have grown steadily since 1995 and are expected to continue to rise due to increased medical utilization. According to the Texas Research and Oversight Council on Workers' Compensation (ROC), medical costs are 49 percent higher in Texas than the national average.

Though the general state of the economy will affect this strategy, the current rise in costs seems disproportionate to the general rate of inflation or other general trends.

Other physical factors which may affect both the number and cost of injuries include the number of state employees covered, the percentage of state employees in "high risk" categories such as direct patient care, and prisons, the safety programs agencies put in place to protect their employees, the incidence rate of fraud in the system, and staffing levels.

Changes in laws, rules, and administrative decisions also effect this strategy. Changes in the fee guidelines, compensation rates, or treatment guidelines established by the TWCC directly effect the cost of providing care to injured workers.

While SORM utilizes the cost containment opportunities available, cost containment in this strategy is limited by existing laws or budgets which do not permit SORM to competitively procure services out of this strategy, negotiate for discounts with providers, or utilize services like vocational rehabilitation to limit losses.

STRATEGY REQUEST

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SUMMARY TOTALS:

OBJECTS OF EXPENSE:	45,212,946	49,067,861	54,871,513	122,420,044	0
METHODS OF FINANCE (INCLUDING RIDERS):				122,420,044	0
METHODS OF FINANCE (EXCLUDING RIDERS):	45,212,946	49,067,861	54,871,513	122,420,044	0
FULL TIME EQUIVALENT POSITIONS:	0.0	0.0	0.0	0.0	0.0

Rider Revisions and Additions Request

Agency Code: 40A	Agency Name: State Office Of Risk Management (Workers Compensation Payments)	Prepared By: Gary Payne	Date: August 31, 2000	Request Level: Base
Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language		
1	I-77	<p>Appropriation - Subrogation Receipts.</p> <p>All sums of money recovered by the State Office of Risk Management from third parties by way of subrogation are hereby 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. Twenty-five percent of received funds shall be transferred to the agencies whose claims generated the subrogation receipts.</p> <p><i>No change proposed.</i></p>		

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
2	I-77	<p>Cost Containment.</p> <p>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 forty-five days after the close of each fiscal year.</p> <p><i>No change proposed.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
3	I-78	<p>Amount to be Spent on Worker’s Compensation.</p> <p>The money appropriated above to the State Office of Risk Management for Workers’ Compensation Payments represents 75 percent of the total projected costs of workers’ compensation claim payments <u>for indemnity, medical services, vocational rehabilitation, medical case management, necessary claim investigation, and related costs</u> during the biennium. Per the section entitled Reimbursements for Workers’ Compensation Payments, in the General Provisions of this Act, the Legislature intends that the remaining 25 percent of the cost of workers’ compensation claim payments will be paid by agencies whose employees receive the payments.</p> <p>Contingent upon reimbursement to the Workers’ Compensation Payments appropriation from other state agencies for payment of 25% of workers compensation claims as required by this Act, the State Office of Risk Management may temporarily utilize additional general revenue funds in an amount not to exceed the anticipated 25% reimbursement for the biennium. The general revenue amounts utilized above the general revenue method of finance must be repaid upon receipt of 25% reimbursement from other state agencies and shall be utilized only for the purpose of temporary cash flow. These transfers and repayments shall be credited to the fiscal year being reimbursed and shall be in accordance with procedures established by the Comptroller. All transfers of the method of finance shall be reported by the State Office of Risk Management to the Legislative Budget Board.</p> <p><i>The requested modification would clarify the items to be paid from this appropriation. Workers’ Compensation carriers are now allowed to utilize private providers of vocational rehabilitation services in order to decrease the indemnity benefit payments required.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
4	I-78	<p>Expenditure for Prior Year's Claims.</p> <p>It is the intent of the Legislature that the State Office of Risk Management be authorized to expend an amount not to exceed \$6.5 <u>\$3</u> million from the appropriation for Workers' Compensation Payments for fiscal year 2000 <u>2002</u>, for workers' compensation claims arising during fiscal year 1999 <u>2001</u>.</p> <p><i>The requested modifications update the rider for the 2002-2003 biennium and provides a means to continue payment of bills in the event of a shortage in the 2000-2001 claim fund appropriation.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
5	I-78	<p data-bbox="751 448 1373 480">Contingency Appropriation for Senate Bill 1590</p> <p data-bbox="751 524 1892 703">Contingent upon the enactment of Senate Bill 1590, or similar legislation relating to the detection, investigation and prosecution of fraud in the workers' compensation program for state employees, by the Seventy-sixth Legislature, Regular Session, the appropriation made above in Strategy A.1.1, Workers' Compensation Payments, is hereby reduced by \$1,538,752 in fiscal year 2000 in General Revenue funds.</p> <p data-bbox="751 743 1875 776"><i>The rider is not necessary for the 2002-02 biennium. Senate Bill 1590 was not enacted.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
701	I	<p><u>Vocational Rehabilitation</u></p> <p><u>The funds appropriated above to the State Office of Risk Management for Workers' Compensation Payments may be used to pay qualified providers for vocational rehabilitation services in order to reduce the amounts of supplemental income benefits paid.</u></p> <p><u>The amount paid to private providers of vocational rehabilitation and the estimated reduction in supplemental income benefits paid shall be included in the annual cost containment report.</u></p> <p><i>This rider is proposed as an alternative to the requested modifications to rider number 3 above.</i></p>

Rider Revisions and Additions Request

Current Rider Number	Page Number in 2000-01 GAA	Proposed Rider Language
702	I	<p><u>Date of Service</u></p> <p><u>It is the intent of the Legislature that for payments from the workers' compensation claim fund the date of service for the purpose of issuing payment is defined as the date the State Office of Risk Management received the bill or became aware of the existence of the obligation. The State Office of Risk Management shall continue to report on expenditures by the fiscal period in which the medical or related service was performed, as well as by the fiscal period in which the injury occurred.</u></p> <p><i>This proposed new rider would eventually eliminate the need for two separate open claim fund appropriations. All bills received and paid within a twelve month fiscal period would be paid from funds appropriated for that year. This would also eliminate the need for sending payments for services performed over two appropriation years ago to the Comptroller's Office for processing as miscellaneous claims. Such payments are never recorded on the Claims Management System and true costs are understated.</i></p>

HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE
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Agency Code: 479 Agency: STATE OFFICE OF RISK MANAGEMENT

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 1998 - 1999 HUB Expenditure Information

Procurement Category	Statewide Adjusted HUB Goals	Adjusted HUB Expenditures FY 1998		Total Expenditures FY 1998	Adjusted HUB Expenditures FY 1999		Total Expenditures FY 1999
		HUB %	HUB \$		HUB %	HUB \$	
Professional Services	18.1%	0.0%	\$0	\$0	0.0%	\$0	\$14,200
Other Services	33.0%	0.0%	\$0	\$1,256,064	0.0%	\$561	\$1,593,208
Commodities	11.5%	69.7%	\$247,733	\$355,203	26.5%	\$27,827	\$105,151
Total Expenditures		15.4%	\$247,733	\$1,611,267	1.7%	\$28,388	\$1,712,559

B. Assessment of Fiscal Year 1998 - 1999 Efforts to Meet HUB Procurement Goals

Attainment:

The agency attained or exceeded one of three, or 33% of the applicable statewide HUB procurement goals in FY 1998.
 The agency attained or exceeded one of three, or 33% of the applicable statewide HUB procurement goals in FY 1999.

Applicability:

The "Heavy Construction," "Building Construction," and "Special Trade Construction" categories are not applicable to agency operations in either fiscal year 1998 or fiscal year 1999, since the agency did not have any strategies or programs related to construction.

Factors Affecting Attainment:

The Professional Services category represents a small portion of SORM's overall budget and necessitates unique or specialized contract requirements. In FY 99, a single payment was made to Sedgwick of Texas, Inc. for financial and accounting services (outside auditing and a report on SORM's workers' compensation claims processing). Therefore the opportunity for HUB participation in this category was extremely limited. Large payments to a non-HUB vendor in both fiscal years reduced SORM's HUB percentage in the Other Services category. Payments to Corvell Corporation for medical cost containment services accounted for over 90% of expenditures in this category (97% in FY98 and 94% in FY99). This was a pre-existing contract, which was renewed for both fiscal years. This contract has since been re-bid, and was awarded to a HUB vendor for FY2000.

"Good-Faith" Efforts:

SORM is administratively tied to the Office of the Attorney General which performs purchasing and HUB related activities on SORM's behalf. Therefore, SORM made the following good faith efforts in addition to meeting the requirements of 1 TAC Section 111.13(c).

OUTREACH:

- Distributed literature and bid opportunities at HUB forums and other outreach events.
- Developed/maintained ongoing communications with organizations that serve small, minority, and women-owned businesses.
- Facilitated meetings between HUB vendors and OAG purchasing staff.
- Posted HUB program information on the OAG web site.
- Served on MED Week Steering Committee in FY99.

Assisted HUBs in obtaining certification and re-certification.

SUBCONTRACTING:

- Met with prime contractors to assess HUB subcontracting efforts.
- Encouraged HUB subcontracting at pre-bid conferences.
- Increased reporting of HUB subcontracting data in FY99.

HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE
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Date: 09/20/2000
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Agency Code: 479 Agency: STATE OFFICE OF RISK MANAGEMENT

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 1998 - 1999 HUB Expenditure Information

Procurement Category	Statewide Adjusted HUB Goals	Adjusted HUB Expenditures FY 1998	Total Expenditures FY 1998	Adjusted HUB Expenditures FY 1999	Total Expenditures FY 1999
		<u>HUB %</u> <u>HUB \$</u>		<u>HUB %</u> <u>HUB \$</u>	

IN-REACH:

- Conducted training to provide HUB program information to OAG staff.
- Provided monthly HUB status to OAG purchasers.
- Developed HUB vendor lists for items.

OTHER:

Attended GSC HUB Cooperative Committee meetings and 3rd HUB Conference during August, 1999.

Estimated Contract Company Workforce Schedule

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Gary Payne			Date: 8/26/00	
Strategy	Estimated 1999	Estimated 2000	Estimated 2001	Estimated 2002	Estimated 2003	
01-01-01 Risk Management Program	0.0	0.0	0.0	0.0	0.0	
01-02-01 Pay Workers' Compensation	0.0	0.0	0.0	1.0	1.0	
Total	0.0	0.0	0.0	1.0	1.0	