



Legislative Appropriations Request for Fiscal Years 2016 and 2017

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

by

STATE OFFICE of RISK MANAGEMENT

August 18, 2014



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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 of Budget, Planning and Policy (GOBPP) 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 GOBPP will be notified in writing in accordance with Article IX, Section 7.01 (2014–15 GAA).

Chief Executive Officer or Presiding Judge

A handwritten signature in black ink, appearing to read "Stephen Vollbrecht", written over a horizontal line.

Signature

Stephen Vollbrecht

Printed Name

Deputy Executive Director

Title

August 18, 2014

Date

Board or Commission Chair

A handwritten signature in black ink, appearing to read "Stephanie Simmons", written over a horizontal line.

Signature

Stephanie Simmons

Printed Name

Chair, Board of Directors

Title

August 18, 2014

Date

Chief Financial Officer

A handwritten signature in black ink, appearing to read "Stuart B. Cargile", written over a horizontal line.

Signature

Stuart B. Cargile

Printed Name

Chief of Internal Operation, CFO

Title

August 18, 2014

Date

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, 2015, 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. The Office is mandated by Chapter 412, Texas Labor Code, to operate as a full service risk manager and insurance manager for 138 state entities and 122 Community Service and Supervision Departments across the State. The Office administers insurance services purchased by state agencies, including the government employees' workers' compensation insurance program and the state risk management programs, and oversees the State's continuity of operations program.

The Office provides services to all state agencies 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.

AGENCY FUNDING SOURCES

The Office receives no General Revenue and is funded solely by Interagency Contracts. 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 utilize 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 is seeking one exceptional item.

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 \$145,600. The Board's current authority is limited by the GAA to \$107,656, significantly below the position's market average. The Board is seeking an increase in its authority to the salary range cap of \$145,600 to attract and/or retain a qualified person in future to serve as Executive Director of the Office, consistent with its duties under Chapter 412, Texas Labor Code.

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.

Stephanie Simmons, Chairperson

Stafford, Texas

Term to expire February 1, 2015

John Youngblood

Cameron, Texas

Term to expire February 1, 2013

Rosemary Gammon

Plano, Texas

Term to expire February 1, 2015

Tomas Gonzalez

Irving, Texas

Term to expire February 1, 2017

Lloyd M. Garland, M.D.

Lubbock, Texas

Term to expire February 1, 2013

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 a covered entity. 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
2013	2	\$3,358	\$72	1.73
2014	3	\$995	\$0	2.62
Biennium Total	5	\$4,353	\$72	4.36

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,

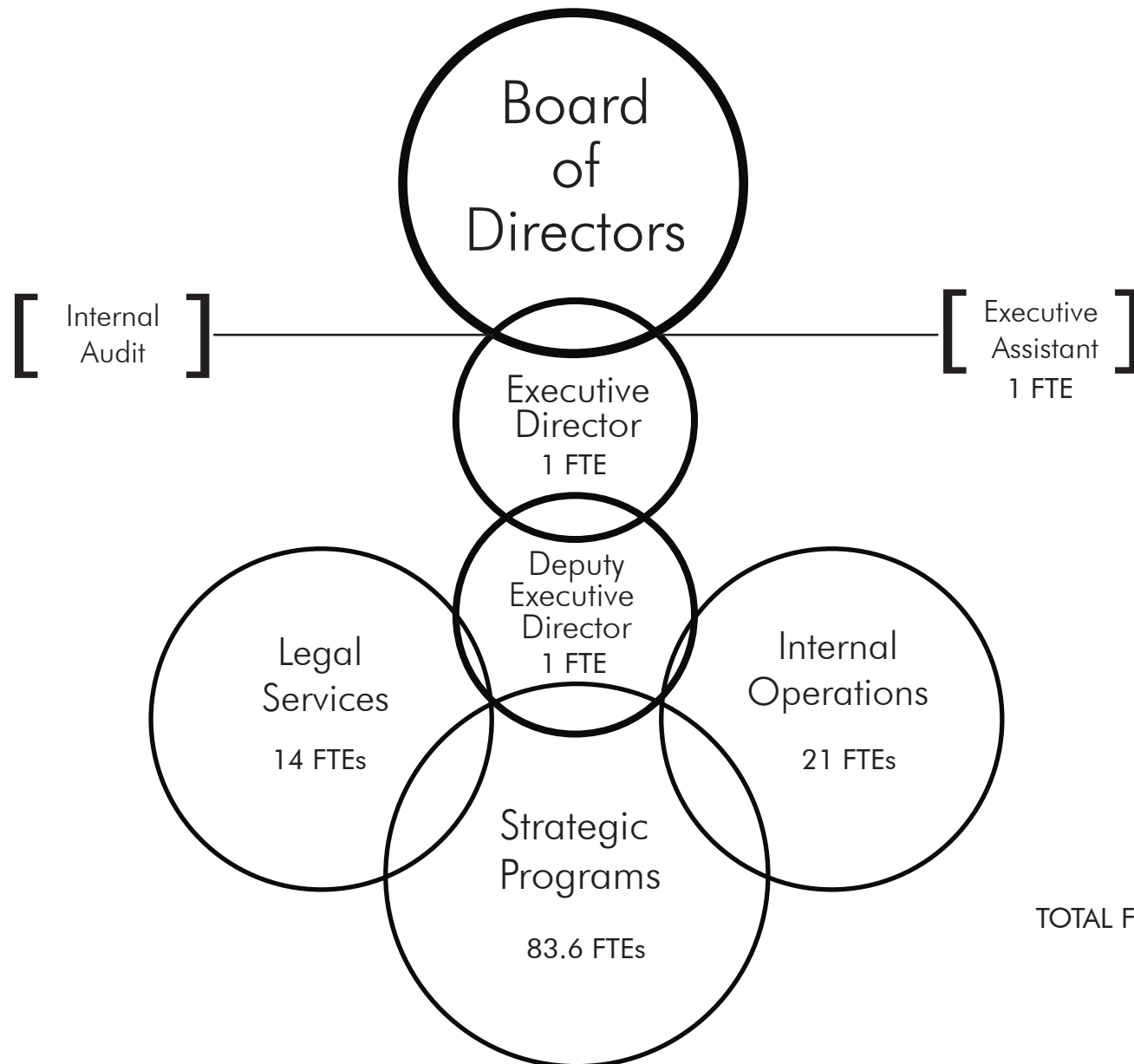
A handwritten signature in black ink, appearing to read 'S. Vollbrecht', with a stylized, looping flourish at the end.

Stephen S. Vollbrecht, J.D.
Deputy Executive Director and General Counsel



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 and Deputy Executive Director, and the three Division Chiefs of the Office's Divisions. The Executive Director's duties are described at Texas Labor Code §412.041. The Director serves as the State's Risk Manager and administrator of the State's workers' compensation insurance program, 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 five departments, including Risk Management, Workers' Compensation, Document Processing, Quality Assurance, and Communications.

The Risk Management department provides Risk Management, Insurance, and Continuity of Operations Planning 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 Business Continuity Planning Initiative (COOP).

Workers' Compensation performs initial file investigations of each reported injury and determines compensability. 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.

Quality Assurance audits claims for compliance with all statutory and policy requirements; track overpayments, both statutory and errors.

Communications is responsible for outreach, media, and business communications. The Communications 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, Fraud and Recovery, and Support Services.

The Litigation 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 Fraud and Recovery 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.

Support Services provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies. They track relevant legislation and respond to Legislative inquiries. They work with executive management to comment and educate on proposed rules and legislation.

Internal Operations Division:

The Internal Operations Division consists of three departments, including, Accounting, Human Resources, and Information Resources.

Accounting 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. Fund Accounting 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 SORM and the full OAG HR division and the SORM Legal Services Division, and is responsible for personnel action and leave accounting.

Information Resources maintains RMIS, CMS and other systems and interfaces; monitor and provide data; and oversee and respond to security issues. The support staff conducts all agency hardware and software maintenance; monitor software licensing; maintain user access; maintain passwords; and interface with OAG IT.

2.A. Summary of Base Request by Strategy

8/18/2014 3:19:38PM

84th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

479 State Office of Risk Management

Goal / Objective / STRATEGY	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>1</u> Manage Workers' Compensation Costs					
<u>1</u> Risk Management					
1 RISK MANAGEMENT PROGRAM	2,550,057	3,099,577	3,304,748	3,202,162	3,202,162
<u>2</u> Claims Administration					
1 PAY WORKERS' COMPENSATION	6,786,017	8,032,118	8,045,130	8,038,451	8,038,451
TOTAL, GOAL 1	\$9,336,074	\$11,131,695	\$11,349,878	\$11,240,613	\$11,240,613
<u>2</u> Workers' Compensation Payments: Estimated and Nontransferable					
<u>1</u> Workers' Compensation Payments: Estimated and Nontransferable					
1 WORKERS' COMPENSATION PAYMENTS	38,592,394	37,967,750	41,769,456	39,868,603	39,868,603
TOTAL, GOAL 2	\$38,592,394	\$37,967,750	\$41,769,456	\$39,868,603	\$39,868,603
TOTAL, AGENCY STRATEGY REQUEST	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216

2.A. Summary of Base Request by Strategy

8/18/2014 3:19:38PM

84th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

479 State Office of Risk Management

Goal / Objective / STRATEGY	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>METHOD OF FINANCING:</u>					
Other Funds:					
666 Appropriated Receipts	2,820	347	0	0	0
777 Interagency Contracts	46,763,158	48,531,348	52,551,584	50,541,466	50,541,466
8052 Subrogation Receipts	1,162,490	567,750	567,750	567,750	567,750
SUBTOTAL	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
TOTAL, METHOD OF FINANCING	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216

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

2.B. Summary of Base Request by Method of Finance
84th 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				
METHOD OF FINANCING		Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>						
<u>666</u>	Appropriated Receipts					
	<i>RIDER APPROPRIATION</i>					
	Art IX, Sec 8.03, Reimbursements and Payments (2012-13 GAA)					
		\$2,820	\$0	\$0	\$0	\$0
	Art IX, Sec 8.03, Reimbursements and Payments (2014-15 GAA)					
		\$0	\$347	\$0	\$0	\$0
TOTAL,	Appropriated Receipts	\$2,820	\$347	\$0	\$0	\$0
<u>777</u>	Interagency Contracts					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriations from MOF Table					
		\$9,053,078	\$0	\$0	\$0	\$0
	Comments: Manage Risk & Administer Claims (Goal A)					
	Regular Appropriations from MOF Table					
		\$47,803,411	\$0	\$0	\$0	\$0
	Comments: Workers' Compensation payments (Goal B)					

2.B. Summary of Base Request by Method of Finance

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>					
Regular Appropriations from MOF Table	\$0	\$10,471,306	\$10,262,366	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
Regular Appropriations from MOF Table	\$0	\$41,201,705	\$41,201,706	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)					
Regular Appropriations from MOF	\$0	\$0	\$0	\$50,541,466	\$50,541,466
<i>RIDER APPROPRIATION</i>					
S.B.1, 83rd Leg., R.S., Art IX, Sec 15.02,(c) (2014-15 GAA)	\$0	\$990,304	\$890,304	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
H.B.1, 82nd Leg., R.S., Art IX, Sec 15.02, (c) (2012-13 GAA)	\$700,000	\$0	\$0	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					

2.B. Summary of Base Request by Method of Finance

8/18/2014 3:19:39PM

84th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>					
<i>TRANSFERS</i>					
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)					
	\$0	\$69,738	\$197,208	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriation-Authority Only for UB (2012-13 GAA)					
	\$(892,393)	\$0	\$0	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
Lapsed Appropriation-Authority Only for UB (2014-15 GAA)					
	\$0	\$(408,833)	\$(400,000)	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
Lapsed Appropriation-Authority Only for UB (2014-15 GAA)					
	\$0	\$(4,482,762)	\$(600,000)	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)					
S.B. 1, 83rd Leg., R.S., Art IX, Sec 15.02, (2014-15 GAA)					
	\$0	\$(3,201,705)	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance

8/18/2014 3:19:39PM

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>					
Comments: Unexercised Authority Workers' Compensation Payments					
H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02, (2012-13 GAA)					
	\$(5,890,862)	\$0	\$0	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)					
Lapsed Appropriation-Authority Only for UB					
	\$(1,719,233)	\$0	\$0	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)					
<i>UNEXPENDED BALANCES AUTHORITY</i>					
S.B. 1, 83rd Leg., R.S., Art I, Rider 3 (2014-15 GAA)					
	\$(408,833)	\$408,833	\$0	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
H.B.1, 82nd Leg., R.S., Art I, Rider 2 (2012-13 GAA)					
	\$881,402	\$0	\$0	\$0	\$0
Comments: Manage Risk & Administer Claims (Goal A)					
S.B. 1, 83rd Leg., R.S. Art I, Rider 5 (2014-15 GAA)					

2.B. Summary of Base Request by Method of Finance

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	479	Agency name:	State Office of Risk Management			
METHOD OF FINANCING		Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>						
		\$0	\$(400,000)	\$400,000	\$0	\$0
	Comments: Manage Risk & Administer Claims (Goal A)					
	S.B. 1, 83rd Leg., R.S. Art IX Sec 15.02 (h) (2014-15 GAA)					
		\$0	\$(600,000)	\$600,000	\$0	\$0
	Comments: Workers' Compensation Payments (Goal B)					
	H.B. 1, 82nd Leg., R.S. Art IX Sec 15.02, (h) (2012-13 GAA)					
		\$(4,482,762)	\$4,482,762	\$0	\$0	\$0
	Comments: Workers' Compensation Payments (Goal B)					
	H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02, (h) (2012-13 GAA)					
		\$1,719,350	\$0	\$0	\$0	\$0
	Comments: Workers' Compensation Payments (Goal B)					
TOTAL,	Interagency Contracts					
		\$46,763,158	\$48,531,348	\$52,551,584	\$50,541,466	\$50,541,466

8052 Subrogation Receipts

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table

2.B. Summary of Base Request by Method of Finance

8/18/2014 3:19:39PM

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 479		Agency name: State Office of Risk Management				
METHOD OF FINANCING		Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
<u>OTHER FUNDS</u>						
		\$567,750	\$0	\$0	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)						
Regular Appropriations from MOF Table						
		\$0	\$567,750	\$567,750	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)						
Regular Appropriation from MOF						
		\$0	\$0	\$0	\$567,750	\$567,750
<i>RIDER APPROPRIATION</i>						
H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02 (g) (2012-13 GAA)						
		\$594,740	\$0	\$0	\$0	\$0
Comments: Workers' Compensation Payments (Goal B)						
TOTAL,	Subrogation Receipts					
		\$1,162,490	\$567,750	\$567,750	\$567,750	\$567,750
TOTAL, ALL	OTHER FUNDS					
		\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
GRAND TOTAL		\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216

2.B. Summary of Base Request by Method of Finance
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/18/2014 3:19:39PM

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2013	Est 2014	Bud 2015	Req 2016	Req 2017
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table H.B. 1, 82nd Leg., R.S., Art I (2012-13 GAA)	117.6	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table S.B. 1, 83rd Leg., R.S. Art I (2014-15 GAA)	0.0	121.6	121.6	0.0	0.0
Regular Appropriations from MOF Table	0.0	0.0	0.0	121.6	121.6
UNAUTHORIZED NUMBER OVER (BELOW) CAP					
H.B. 1, 82nd Leg., R.S. Art I, (2012-13 GAA)	(2.5)	0.0	0.0	0.0	0.0
S.B. 1, 83rd Leg., R.S., Art I (2014-15 GAA)	0.0	(7.5)	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	115.1	114.1	121.6	121.6	121.6
NUMBER OF 100% FEDERALLY FUNDED FTES					

2.C. Summary of Base Request by Object of Expense

8/18/2014 3:19:41PM

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Automated Budget and Evaluation System of Texas (ABEST)**479 State Office of Risk Management**

OBJECT OF EXPENSE	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1001 SALARIES AND WAGES	\$5,494,929	\$5,861,435	\$6,299,586	\$6,299,586	\$6,299,586
1002 OTHER PERSONNEL COSTS	\$430,205	\$418,000	\$370,000	\$389,332	\$389,332
2001 PROFESSIONAL FEES AND SERVICES	\$1,761,405	\$2,247,252	\$2,301,797	\$2,470,000	\$2,470,000
2003 CONSUMABLE SUPPLIES	\$24,428	\$25,963	\$25,963	\$28,500	\$28,500
2004 UTILITIES	\$1,021	\$3,218	\$3,218	\$3,218	\$3,218
2005 TRAVEL	\$121,546	\$160,704	\$160,000	\$160,000	\$160,000
2006 RENT - BUILDING	\$720	\$720	\$720	\$720	\$720
2007 RENT - MACHINE AND OTHER	\$23,881	\$26,054	\$26,054	\$26,054	\$26,054
2009 OTHER OPERATING EXPENSE	\$40,070,333	\$40,056,099	\$43,741,996	\$41,731,806	\$41,731,806
5000 CAPITAL EXPENDITURES	\$0	\$300,000	\$190,000	\$0	\$0
OOE Total (Excluding Riders)	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
OOE Total (Riders)					
Grand Total	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216

2.D. Summary of Base Request Objective Outcomes
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

8/18/2014 3:19:42PM

479 State Office of Risk Management					
<i>Goal/ Objective / Outcome</i>	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1 Manage Workers' Compensation Costs					
1 <i>Risk Management</i>					
KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees					
	3.45%	3.45%	3.60%	3.60%	3.60%
2 <i>Claims Administration</i>					
KEY 1 Cost of Workers' Compensation Per Covered State Employee					
	243.04	244.36	266.63	266.63	266.63
KEY 2 Cost of Workers' Compensation Coverage per \$100 State Payroll					
	0.65	0.64	0.69	0.69	0.69

2.E. Summary of Exceptional Items Request
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME : 3:19:42PM

Agency code: 479

Agency name: State Office of Risk Management

Priority	Item	2016			2017			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Executive Directors Salary Increase		\$0	0.0		\$0	0.0		\$0
Total, Exceptional Items Request			\$0	0.0		\$0	0.0		\$0

Method of Financing

General Revenue

General Revenue - Dedicated

Federal Funds

Other Funds

	0	0	0
\$0	\$0	\$0	\$0

Full Time Equivalent Positions

0.0

0.0

Number of 100% Federally Funded FTEs

2.F. Summary of Total Request by Strategy
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/18/2014

TIME : 3:19:43PM

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

Goal/Objective/STRATEGY	Base 2016	Base 2017	Exceptional 2016	Exceptional 2017	Total Request 2016	Total Request 2017
1 Manage Workers' Compensation Costs						
1 <i>Risk Management</i>						
1 RISK MANAGEMENT PROGRAM	\$3,202,162	\$3,202,162	\$0	\$0	\$3,202,162	\$3,202,162
2 <i>Claims Administration</i>						
1 PAY WORKERS' COMPENSATION	8,038,451	8,038,451	0	0	8,038,451	8,038,451
TOTAL, GOAL 1	\$11,240,613	\$11,240,613	\$0	\$0	\$11,240,613	\$11,240,613
2 Workers' Compensation Payments: Estimated and Nontransferable						
1 <i>Workers' Compensation Payments: Estimated and Nontransferable</i>						
1 WORKERS' COMPENSATION PAYMENTS	39,868,603	39,868,603	0	0	39,868,603	39,868,603
TOTAL, GOAL 2	\$39,868,603	\$39,868,603	\$0	\$0	\$39,868,603	\$39,868,603
TOTAL, AGENCY STRATEGY REQUEST	\$51,109,216	\$51,109,216	\$0	\$0	\$51,109,216	\$51,109,216
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$51,109,216	\$51,109,216	\$0	\$0	\$51,109,216	\$51,109,216

2.F. Summary of Total Request by Strategy
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/18/2014
TIME : 3:19:43PM

Agency code: 479	Agency name: State Office of Risk Management					
Goal/Objective/STRATEGY	Base 2016	Base 2017	Exceptional 2016	Exceptional 2017	Total Request 2016	Total Request 2017
Other Funds:						
666 Appropriated Receipts	\$0	\$0	\$0	\$0	\$0	\$0
777 Interagency Contracts	50,541,466	50 541 466	0	0	50,541,466	50,541,466
8052 Subrogation Receipts	567,750	567 750	0	0	567,750	567,750
	\$51,109,216	\$51,109,216	\$0	\$0	\$51,109,216	\$51,109,216
TOTAL, METHOD OF FINANCING	\$51,109,216	\$51,109,216	\$0	\$0	\$51,109,216	\$51,109,216
FULL TIME EQUIVALENT POSITIONS	121.6	121.6	0.0	0.0	121.6	121.6

2.G. Summary of Total Request Objective Outcomes
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/18/2014
Time: 3:19:44PM

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

Goal/ Objective / Outcome

		BL 2016	BL 2017	Excp 2016	Excp 2017	Total Request 2016	Total Request 2017
1	Manage Workers' Compensation Costs						
1	Risk Management						
KEY	1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees						
		3.60%	3.60%			3.60%	3.60%
2	Claims Administration						
KEY	1 Cost of Workers' Compensation Per Covered State Employee						
		266.63	266.63			266.63	266.63
KEY	2 Cost of Workers' Compensation Coverage per \$100 State Payroll						
		0.69	0.69			0.69	0.69

479 State Office of Risk Management

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 8 0
OBJECTIVE: 1 Risk Management Service Categories:
STRATEGY: 1 Assist/Review/Monitor Agencies' Risk Management Programs Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
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	236.00	246.00	240.00	229.00	229.00
3	Number of Risk Management Training Sessions Conducted	247.00	192.00	200.00	200.00	200.00
Efficiency Measures:						
1	Cost Per Hour of Direct Risk Management Service Provided	98.25	101.35	100.00	100.00	100.00
Explanatory/Input Measures:						
1	Percentage of Total Assessments Collected Used for Claim Payments	92.38 %	94.21 %	99.00 %	99.00 %	99.00 %
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,811,021	\$2,097,436	\$2,384,948	\$2,384,948	\$2,384,948
1002	OTHER PERSONNEL COSTS	\$200,602	\$190,000	\$140,000	\$159,332	\$159,332
2001	PROFESSIONAL FEES AND SERVICES	\$17,318	\$18,800	\$18,800	\$20,000	\$20,000
2003	CONSUMABLE SUPPLIES	\$7,517	\$8,128	\$8,128	\$8,500	\$8,500
2004	UTILITIES	\$518	\$650	\$650	\$650	\$650
2005	TRAVEL	\$66,040	\$79,340	\$80,000	\$80,000	\$80,000

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Risk Management	Service Categories:		
STRATEGY:	1	Assist/Review/Monitor Agencies' Risk Management Programs	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
2006	RENT - BUILDING	\$216	\$216	\$216	\$216	\$216
2007	RENT - MACHINE AND OTHER	\$7,341	\$8,516	\$8,516	\$8,516	\$8,516
2009	OTHER OPERATING EXPENSE	\$439,484	\$606,491	\$606,490	\$540,000	\$540,000
5000	CAPITAL EXPENDITURES	\$0	\$90,000	\$57,000	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$2,550,057	\$3,099,577	\$3,304,748	\$3,202,162	\$3,202,162
Method of Financing:						
666	Appropriated Receipts	\$0	\$0	\$0	\$0	\$0
777	Interagency Contracts	\$2,550,057	\$3,099,577	\$3,304,748	\$3,202,162	\$3,202,162
SUBTOTAL, MOF (OTHER FUNDS)		\$2,550,057	\$3,099,577	\$3,304,748	\$3,202,162	\$3,202,162
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$3,202,162	\$3,202,162
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,550,057	\$3,099,577	\$3,304,748	\$3,202,162	\$3,202,162
FULL TIME EQUIVALENT POSITIONS:		31.3	30.4	38.5	38.5	38.5

STRATEGY DESCRIPTION AND JUSTIFICATION:

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Risk Management	Service Categories:		
STRATEGY:	1	Assist/Review/Monitor Agencies' Risk Management Programs	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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Risk Management

Assist/Review/Monitor Agencies' Risk Management Programs

The Executive Director of the Office serves as the Risk Manager for the State of Texas. The Office provides services to 138 state agencies and 122 Community Supervision and Corrections Departments (CSCDs). The Office's programs cover roughly 186,000 state employees, nearly \$8.8 billion in insured real and personal property, and uninsured property with an estimated value in excess of \$70 billion. The Office provides field safety inspections, training, an interactive Risk Management Information System (RMIS), and assistance to client agencies in mitigating risks identified by the Risk Evaluation and Planning System (REPS).

The Office's responsibilities include: providing risk management and insurance services to state agencies, including property, liability, and workers' compensation; reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies; serving as a full-service insurance manager for state agencies for exposures other than life and health; providing risk management and insurance training for state agencies; overseeing enterprise continuity of operations requirements; and collecting and reporting risk and loss information to lawmakers and to client state agencies.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Risk Management	Service Categories:		
STRATEGY:	1	Assist/Review/Monitor Agencies' Risk Management Programs	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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The external factors that are likely to impact risk management efforts are: changes to state government altering the types and /or levels of risk experienced by the State; potential marginalization of risk managers and risk management programs and restricted access to executive management, leading to inadequate planning and a failure to anticipate, avert, and reduce the impact of risk associated exposures; inadequate business continuity planning and testing by client agencies, resulting in failure to achieve an agency's core mission during a crisis; losses experienced by the State increasing in response to external factors outside the control of client agencies (e.g. economic downturns, natural disasters, security threats, reductions in workforce, etc.); market volatility and absence of self-insured retentions at the state enterprise level; lack of enforcement mechanisms to encourage non-compliant agencies to comply with statutes, rules, industry standards, and internationally-recognized best practices; and greater demands on the Office respecting the full range of risk management issues.

The internal factors that are likely to impact risk management efforts are: potential budgetary constraints negatively affecting available resources, including but not limited to, availability and retention of staff with appropriate risk management skills and expertise; and outdated computer systems negatively affecting the Office's ability to efficiently streamline data compilation and analysis.

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	2	Claims Administration	Service Categories:		
STRATEGY:	1	Review Claims, Determine Liability and Pay Eligible Claims	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Output Measures:						
	1 Number of Initial Eligibility Determinations Made	7,426.00	7,550.00	7,550.00	7,600.00	7,600.00
KEY 2	Number of Medical Bills Processed	117,566.00	104,000.00	104,000.00	104,000.00	104,000.00
KEY 3	Number of Indemnity Bills Paid	27,014.00	26,381.00	26,000.00	26,000.00	26,000.00
Efficiency Measures:						
KEY 1	Average Cost to Administer Claim	586.01	713.00	719.34	702.61	702.61
Objects of Expense:						
1001	SALARIES AND WAGES	\$3,683,908	\$3,763,999	\$3,914,638	\$3,914,638	\$3,914,638
1002	OTHER PERSONNEL COSTS	\$229,603	\$228,000	\$230,000	\$230,000	\$230,000
2001	PROFESSIONAL FEES AND SERVICES	\$1,744,087	\$2,228,452	\$2,282,997	\$2,450,000	\$2,450,000
2003	CONSUMABLE SUPPLIES	\$16,911	\$17,835	\$17,835	\$20,000	\$20,000
2004	UTILITIES	\$503	\$2,568	\$2,568	\$2,568	\$2,568
2005	TRAVEL	\$55,506	\$81,364	\$80,000	\$80,000	\$80,000
2006	RENT - BUILDING	\$504	\$504	\$504	\$504	\$504
2007	RENT - MACHINE AND OTHER	\$16,540	\$17,538	\$17,538	\$17,538	\$17,538
2009	OTHER OPERATING EXPENSE	\$1,038,455	\$1,481,858	\$1,366,050	\$1,323,203	\$1,323,203
5000	CAPITAL EXPENDITURES	\$0	\$210,000	\$133,000	\$0	\$0

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	2	Claims Administration	Service Categories:		
STRATEGY:	1	Review Claims, Determine Liability and Pay Eligible Claims	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
TOTAL, OBJECT OF EXPENSE		\$6,786,017	\$8,032,118	\$8,045,130	\$8,038,451	\$8,038,451
Method of Financing:						
666	Appropriated Receipts	\$2,820	\$347	\$0	\$0	\$0
777	Interagency Contracts	\$6,783,197	\$8,031,771	\$8,045,130	\$8,038,451	\$8,038,451
SUBTOTAL, MOF (OTHER FUNDS)		\$6,786,017	\$8,032,118	\$8,045,130	\$8,038,451	\$8,038,451
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$8,038,451	\$8,038,451
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$6,786,017	\$8,032,118	\$8,045,130	\$8,038,451	\$8,038,451
FULL TIME EQUIVALENT POSITIONS:		83.8	83.7	83.1	83.1	83.1
STRATEGY DESCRIPTION AND JUSTIFICATION:						

479 State Office of Risk Management

GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	2	Claims Administration	Service Categories:		
STRATEGY:	1	Review Claims, Determine Liability and Pay Eligible Claims	Service: 05	Income: A.2	Age: B.3

CODE	DESCRIPTION	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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Claims Administration

Review Claims, Determine Liability and Pay Eligible Claims

The Office provides self-insured workers' compensation claims administration services to all state agencies (excepting TxDOT, and the UT and A&M University Systems), as well as CSCDs and other statutorily defined individuals. Both ERS and TRS may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions. The number of state agencies participating in the state's workers' compensation program has been relatively stable at 138 entities, but will decrease in the event of agency consolidations. The number of current covered FTEs increased from 147,847 in FY92 to 192,007 in FY11, then decreased to 186,607 in FY13. State employees are geographically distributed throughout the State with concentrations in the major metropolitan areas.

The Office's responsibilities include: receiving and investigating claimed injuries; paying income and medical benefits pursuant to law; appearing as an adversary before the Division of Workers' Compensation (DWC) and the courts to present the position and legal defenses of the workers' compensation program and the Office's client agencies; and providing workers' compensation training for state agencies.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The external factors that are likely to impact the workers' compensation program are: demographic changes affecting the number and severity of injuries; rising medical and indemnity costs; legislation and administrative rulemaking requiring additional resources for compliance, including potential exposure to penalties by TDI/DWC; and economic volatility.

The internal factors that are likely to impact the workers' compensation program are: new strategies to offset rising costs and overutilization; difficulty in retaining skilled staff due to inability to compete with private sector salaries; increasing contractual complexity requiring specialized expertise; and increasing reliance on technology for efficiencies.

479 State Office of Risk Management

GOAL:	2	Workers' Compensation Payments: Estimated and Nontransferable	Statewide Goal/Benchmark:	8	0
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$38,592,394	\$37,967,750	\$41,769,456	\$39,868,603	\$39,868,603
TOTAL, OBJECT OF EXPENSE		\$38,592,394	\$37,967,750	\$41,769,456	\$39,868,603	\$39,868,603
Method of Financing:						
777	Interagency Contracts	\$37,429,904	\$37,400,000	\$41,201,706	\$39,300,853	\$39,300,853
8052	Subrogation Receipts	\$1,162,490	\$567,750	\$567,750	\$567,750	\$567,750
SUBTOTAL, MOF (OTHER FUNDS)		\$38,592,394	\$37,967,750	\$41,769,456	\$39,868,603	\$39,868,603
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$39,868,603	\$39,868,603
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$38,592,394	\$37,967,750	\$41,769,456	\$39,868,603	\$39,868,603
FULL TIME EQUIVALENT POSITIONS:						
STRATEGY DESCRIPTION AND JUSTIFICATION:						

479 State Office of Risk Management

GOAL:	2	Workers' Compensation Payments: Estimated and Nontransferable	Statewide Goal/Benchmark:	8	0
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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
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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. SORM 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 (A&M), the University of Texas System (UT), and the Texas Department of Transportation (TxDOT). SORM 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 strategies' 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.

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
METHODS OF FINANCE (INCLUDING RIDERS):				\$51,109,216	\$51,109,216
METHODS OF FINANCE (EXCLUDING RIDERS):	\$47,928,468	\$49,099,445	\$53,119,334	\$51,109,216	\$51,109,216
FULL TIME EQUIVALENT POSITIONS:	115.1	114.1	121.6	121.6	121.6

3.B. Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Jennifer Hinojosa	Date: 08/18/14	Request Level: Baseline
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Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language																											
2	I-83	<p>Capital Budget. 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> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">2014</th> <th style="width: 20%; text-align: right;">2015</th> </tr> </thead> <tbody> <tr> <td>a. Acquisition of Information Resource Technologies</td> <td></td> <td></td> </tr> <tr> <td>(1) Claims Management System Redesign</td> <td style="text-align: right;">\$ 300,000</td> <td style="text-align: right;">\$ 100,000</td> </tr> <tr> <td>(2) Workstation Replacement</td> <td style="text-align: right;">\$ 90,000</td> <td style="text-align: right;">\$ 90,000</td> </tr> <tr> <td>Total, Acquisition of Information Resource Technologies</td> <td style="text-align: right;">\$ 390,000</td> <td style="text-align: right;">\$ 190,000</td> </tr> <tr> <td>Total, Capital Budget</td> <td style="text-align: right;">\$ 390,000</td> <td style="text-align: right;">\$ 190,000</td> </tr> <tr> <td colspan="3">Method of Financing (Capital Budget):</td> </tr> <tr> <td>Interagency Contracts</td> <td style="text-align: right;">\$ 390,000</td> <td style="text-align: right;">\$ 190,000</td> </tr> <tr> <td>Total, Method of Financing</td> <td style="text-align: right;">\$ 390,000</td> <td style="text-align: right;">\$ 190,000</td> </tr> </tbody> </table> <p style="margin-top: 20px;"><i>This rider is unnecessary for the 2016-2017 biennium.</i></p>		2014	2015	a. Acquisition of Information Resource Technologies			(1) Claims Management System Redesign	\$ 300,000	\$ 100,000	(2) Workstation Replacement	\$ 90,000	\$ 90,000	Total, Acquisition of Information Resource Technologies	\$ 390,000	\$ 190,000	Total, Capital Budget	\$ 390,000	\$ 190,000	Method of Financing (Capital Budget):			Interagency Contracts	\$ 390,000	\$ 190,000	Total, Method of Financing	\$ 390,000	\$ 190,000
	2014	2015																											
a. Acquisition of Information Resource Technologies																													
(1) Claims Management System Redesign	\$ 300,000	\$ 100,000																											
(2) Workstation Replacement	\$ 90,000	\$ 90,000																											
Total, Acquisition of Information Resource Technologies	\$ 390,000	\$ 190,000																											
Total, Capital Budget	\$ 390,000	\$ 190,000																											
Method of Financing (Capital Budget):																													
Interagency Contracts	\$ 390,000	\$ 190,000																											
Total, Method of Financing	\$ 390,000	\$ 190,000																											

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

Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language
3	I-84	<p>Unexpended Balances Between Biennia. Included in amounts appropriated above are unexpended and unobligated balances remaining as of August 31, <u>2015</u> 2013, (estimated to be \$250,000 in Interagency Contracts) in Strategy A.1.1, Risk Management Program, and Strategy A.2.1, Pay Workers' Compensation, for the fiscal year beginning September 1, <u>2015</u> 2013, to be applied toward assessments charged to state agencies for the administration of the workers' compensation and risk management programs for fiscal year <u>2016</u> 2014.</p> <p><i>The rider is updated for the 2016-2017 biennium.</i></p>
4	I-84	<p>Administrative Support for the State Office of Risk Management. Out of funds appropriated above in Strategy A.1.1, Risk Management Program, 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 <u>2014-15</u> 2012-13 biennium.</p> <p><i>The rider is updated for the 2016-2017 biennium.</i></p>
5	I-84	<p>Unexpended Balances within the Biennia. Any unexpended and unobligated balances remaining as of August 31, <u>2016</u> 2014, out of appropriations made above in Strategy A.1.1, Risk Management Program and Strategy A.2.1, Pay Workers' Compensation, are appropriated to the State Office of Risk Management for the fiscal year beginning September 1, <u>2016</u> 2014, to be applied toward assessments charged to state agencies for the administration of the workers' compensation and risk management programs for fiscal year <u>2017</u> 2015.</p> <p><i>The rider is updated for the 2016-2017 biennium.</i></p>

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

Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language
6	I-84	<p>Appropriation - Subrogation of Receipts. 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>
7	I-84	<p>Cost Containment. 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> <p>.</p>
8	I-84	<p>Reporting of Workers' Compensation Claims. 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 year based on the date on which the injury occurred and the medical or related service was performed.</p> <p><i>No substantive change requested, a minor error is corrected.</i></p>

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

Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language
15.02	IX-58	<p>Payments to the State Office of Risk Management (SORM).</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 Program and A.2.1, Pay Workers' Compensation, 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 Program and A.2.1, Pay Workers' Compensation.</p> <p><i>Continued on next page.</i></p>

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

Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language
15.02	IX-58	<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 Program and A.2.1, Pay Workers' Compensation.</p> <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><i>Continued on next page.</i></p>

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

Current Rider Number	Page Number in 2014–15 GAA	Proposed Rider Language
15.02	IX-58	<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) 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
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/18/2014**
TIME: **3:19:45PM**

Agency code: **479**

Agency name:

State Office of Risk Management

CODE	DESCRIPTION		Excp 2016	Excp 2017
	Item Name:	Statutory Increase to Executive Director's Salary Limit		
	Item Priority:	1		
	Includes Funding for the Following Strategy or Strategies:	01-01-01 Assist/Review/Monitor Agencies' Risk Management Programs		
		01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
OBJECTS OF EXPENSE:				
1001	SALARIES AND WAGES		0	0
	TOTAL, OBJECT OF EXPENSE		\$0	\$0
METHOD OF FINANCING:				
777	Interagency Contracts		0	0
	TOTAL, METHOD OF FINANCING		\$0	\$0

DESCRIPTION / JUSTIFICATION:

The Office requests that the salary authorized in the GAA for the Exempt Position occupied by the agency's Executive Director be increased to \$145,600, the end of the Group 3 salary range. The purpose of this request is to provide the Board access to the full Group 3 range to ensure that the Board can recruit and retain a qualified executive director at a competitive salary, consistent with its duties under Chapter 412, Texas Labor Code. The Board's request does not seek to reclassify the position's current group level.

EXTERNAL/INTERNAL FACTORS:

This position is currently vacant. 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 17 years of operations, the Board has hired three executive directors, with staff serving in an interim capacity as required. The past several SAO's Classification Study of Exempt Positions indicates that the maximum salary currently authorized for this position is not competitive in the market average, raising concern for both the short- and long-term retention of a qualified Risk Manager for the State of Texas.

Agency code: 479		Agency name: State Office of Risk Management	
Code	Description	Excp 2016	Excp 2017
Item Name:		Statutory Increase to Executive Director's Salary Limit	
Allocation to Strategy:		1-1-1	Assist/Review/Monitor Agencies' Risk Management Programs
OBJECTS OF EXPENSE:			
	1001 SALARIES AND WAGES	0	0
TOTAL, OBJECT OF EXPENSE		\$0	\$0
METHOD OF FINANCING:			
	777 Interagency Contracts	0	0
TOTAL, METHOD OF FINANCING		\$0	\$0
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

4.B. Exceptional Items Strategy Allocation Schedule

84th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/18/2014**

TIME: **3:19:46PM**

Agency code: **479**

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

Code	Description	Excp 2016	Excp 2017
Item Name:		Statutory Increase to Executive Director's Salary Limit	
Allocation to Strategy:		1-2-1 Review Claims, Determine Liability and Pay Eligible Claims	
OBJECTS OF EXPENSE:			
	1001 SALARIES AND WAGES	0	0
TOTAL, OBJECT OF EXPENSE		\$0	\$0
METHOD OF FINANCING:			
	777 Interagency Contracts	0	0
TOTAL, METHOD OF FINANCING		\$0	\$0
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

4.C. Exceptional Items Strategy Request
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME: 3:19:47PM

Agency Code:	479	Agency name:	State Office of Risk Management			
GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8 - 0		
OBJECTIVE:	1	Risk Management	Service Categories:			
STRATEGY:	1	Assist/Review/Monitor Agencies' Risk Management Programs	Service: 05	Income: A.2	Age: B.3	

CODE	DESCRIPTION	Excp 2016	Excp 2017
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Statutory Increase to Executive Director's Salary Limit

4.C. Exceptional Items Strategy Request
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME: 3:19:47PM

Agency Code:	479	Agency name:	State Office of Risk Management			
GOAL:	1	Manage Workers' Compensation Costs	Statewide Goal/Benchmark:	8 - 0		
OBJECTIVE:	2	Claims Administration	Service Categories:			
STRATEGY:	1	Review Claims, Determine Liability and Pay Eligible Claims	Service: 05	Income: A.2	Age: B.3	

CODE	DESCRIPTION	Excp 2016	Excp 2017
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Statutory Increase to Executive Director's Salary Limit

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE		Est 2014	Bud 2015	BL 2016	BL 2017
5005 Acquisition of Information Resource Technologies					
<i>1/1 Claims Managment System Redesign, CCI</i>					
OBJECTS OF EXPENSE					
<u>Capital</u>					
General	5000 CAPITAL EXPENDITURES	\$300,000	\$100,000	\$0	\$0
	Capital Subtotal OOE, Project 1	\$300,000	\$100,000	\$0	\$0
	Subtotal OOE, Project 1	\$300,000	\$100,000	\$0	\$0
TYPE OF FINANCING					
<u>Capital</u>					
General	CA 777 Interagency Contracts	\$300,000	\$100,000	\$0	\$0
	Capital Subtotal TOF, Project 1	\$300,000	\$100,000	\$0	\$0
	Subtotal TOF, Project 1	\$300,000	\$100,000	\$0	\$0
<i>2/2 Workstations Upgrade</i>					
OBJECTS OF EXPENSE					
<u>Informational</u>					
General	2009 OTHER OPERATING EXPENSE	\$92,091	\$90,000	\$0	\$0
	Informational Subtotal OOE, Project 2	\$92,091	\$90,000	\$0	\$0
	Subtotal OOE, Project 2	\$92,091	\$90,000	\$0	\$0
TYPE OF FINANCING					
<u>Informational</u>					
General	CA 777 Interagency Contracts	\$92,091	\$90,000	\$0	\$0
	Informational Subtotal TOF, Project 2	\$92,091	\$90,000	\$0	\$0

5.A. Capital Budget Project Schedule
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/18/2014**
TIME : **3:19:51PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE		Est 2014	Bud 2015	BL 2016	BL 2017
Subtotal TOF, Project	2	\$92,091	\$90,000	\$0	\$0
Capital Subtotal, Category	5005	\$300,000	\$100,000	\$0	\$0
Informational Subtotal, Category	5005	\$92,091	\$90,000	\$0	\$0
Total, Category	5005	\$392,091	\$190,000	\$0	\$0
AGENCY TOTAL -CAPITAL		\$300,000	\$100,000	\$0	\$0
AGENCY TOTAL -INFORMATIONAL		\$92,091	\$90,000	\$0	\$0
AGENCY TOTAL		\$392,091	\$190,000	\$0	\$0
METHOD OF FINANCING:					
<u>Capital</u>					
General	777 Interagency Contracts	\$300,000	\$100,000	\$0	\$0
Total, Method of Financing-Capital		\$300,000	\$100,000	\$0	\$0
<u>Informational</u>					
General	777 Interagency Contracts	\$92,091	\$90,000	\$0	\$0
Total, Method of Financing-Informational		\$92,091	\$90,000	\$0	\$0
Total, Method of Financing		\$392,091	\$190,000	\$0	\$0

5.A. Capital Budget Project Schedule
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/18/2014**
TIME : **3:19:51PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE			Est 2014	Bud 2015	BL 2016	BL 2017
TYPE OF FINANCING:						
<u>Capital</u>						
General	CA	CURRENT APPROPRIATIONS	\$300,000	\$100,000	\$0	\$0
Total, Type of Financing-Capital			\$300,000	\$100,000	\$0	\$0
<u>Informational</u>						
General	CA	CURRENT APPROPRIATIONS	\$92,091	\$90,000	\$0	\$0
Total, Type of Financing-Informational			\$92,091	\$90,000	\$0	\$0
Total,Type of Financing			\$392,091	\$190,000	\$0	\$0

5.B. Capital Budget Project Information
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME: 3:19:52PM

Agency Code:	479	Agency name:	State Office of Risk Management
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	1	Project Name:	Claims Mgmt System Redesign, CCI

PROJECT DESCRIPTION

General Information

SORM's current mainframe based system is approximately 20 years old. While maintenance is done on the system regularly, it is becoming increasingly difficult for this system to interface with more modern systems and requirements. The Office will be migrating to a more current platform, that interacts with our numerous partners.

Number of Units / Average Unit Cost N/A

Estimated Completion Date 8/31/2017

Additional Capital Expenditure Amounts Required	2018	2019
	0	0

Type of Financing	CA	CURRENT APPROPRIATIONS
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Projected Useful Life

20

Estimated/Actual Project Cost \$410,000

Length of Financing/ Lease Period 0

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2016	2017	2018	2019	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
C	777	0.00

Explanation: While no direct savings are expected from the redesign we do expect increased costs due to lost productivity if the process is not modernized. SORM staff administer approximately \$40 million annually in workers' compensation expenses. An antiquated system increases exposure to inefficiencies and unnecessary expenditures.

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:

SORM's mainframe is in constant and increasing use by SORM staff to adjust claims and pay bills associated with the claims, and as well as mitigate losses.

5.B. Capital Budget Project Information
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME: 3:19:52PM

Agency Code:	479	Agency name:	State Office of Risk Management
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	2	Project Name:	Workstations Upgrade

PROJECT DESCRIPTION

General Information

Replace all SORM workstations with the current platform.

Number of Units / Average Unit Cost 1364.00

Estimated Completion Date 12/31/2014

Additional Capital Expenditure Amounts Required	2018	2019
	0	0

Type of Financing	CA	CURRENT APPROPRIATIONS
Projected Useful Life	4	

Estimated/Actual Project Cost \$182,091

Length of Financing/ Lease Period 0

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2016	2017	2018	2019	Total over project life
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
C	777	0.00

Explanation: SORM uses the DIR-standard 4 year replacement cycle for computers. All workstations will be out of warranty in the fall of 2014.

Project Location: Wm P Clements Bldg, 300 W 15th St, Austin.

Beneficiaries: All SORM employees.

Frequency of Use and External Factors Affecting Use:

SORM Workstations are in constant and heavy use by employees to provide claims adjusting for injured state workers, and risk management services for all State employees.

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

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2014	Bud 2015	BL 2016	BL 2017	
5005 Acquisition of Information Resource Technologies						
1/1	Claims Mgmt System Redesign, CCI					
GENERAL BUDGET						
Capital	1-1-1	RISK MANAGEMENT PROGRAM	90,000	30,000	\$0	\$0
	1-2-1	PAY WORKERS' COMPENSATION	210,000	70,000	0	0
TOTAL, PROJECT			\$300,000	\$100,000	\$0	\$0
2/2	Workstations Upgrade					
GENERAL BUDGET						
Informational	1-1-1	RISK MANAGEMENT PROGRAM	27,627	27,000	0	0
	1-2-1	PAY WORKERS' COMPENSATION	64,464	63,000	0	0
TOTAL, PROJECT			\$92,091	\$90,000	\$0	\$0
TOTAL CAPITAL, ALL PROJECTS			\$300,000	\$100,000	\$0	\$0
TOTAL INFORMATIONAL, ALL PROJECTS			\$92,091	\$90,000	\$0	\$0
TOTAL, ALL PROJECTS			\$392,091	\$190,000	\$0	\$0

5.D. Capital Budget Operating and Maintenance Expenses
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/18/2014
TIME: 3:19:54PM

Agency Code: **479** Agency name: **State Office of Risk Management**
Project Number: **1** Project name: **Claims Managment System Redesign, CCI**

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2016	2017	2018	2019
FULL TIME EQUIVALENT POSITIONS:	4.0	4.0	0.0	0.0
OPERATING COSTS DESCRIPTION AND JUSTIFICATION:				

After the changeover to the Claimant Care Interface (CCI), we expect that the staff supporting our current system will be able to provide maintenance and required compliance and improvements for CCI.

479 State Office of Risk Management

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2014	Bud 2015	BL 2016	BL 2017
5005 Acquisition of Information Resource Technologies					
1 Claims Mgmt System Redesign, CCI					
OOE					
Capital					
1-1-1 RISK MANAGEMENT PROGRAM					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	90,000	30,000	0	0
1-2-1 PAY WORKERS' COMPENSATION					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	210,000	70,000	0	0
TOTAL, OOE's		\$300,000	\$100,000	0	0
MOF					
OTHER FUNDS					
Capital					
1-1-1 RISK MANAGEMENT PROGRAM					
<u>General Budget</u>					
777	Interagency Contracts	90,000	30,000	0	0
1-2-1 PAY WORKERS' COMPENSATION					
<u>General Budget</u>					
777	Interagency Contracts	210,000	70,000	0	0
TOTAL, OTHER FUNDS		\$300,000	\$100,000	0	0
TOTAL, MOF's		\$300,000	\$100,000	0	0

479 State Office of Risk Management

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2014	Bud 2015	BL 2016	BL 2017
2 Workstations Upgrade					
OOE					
Informational					
1-1-1 RISK MANAGEMENT PROGRAM					
<u>General Budget</u>					
2009	OTHER OPERATING EXPENSE	27,627	27,000	0	0
1-2-1 PAY WORKERS' COMPENSATION					
<u>General Budget</u>					
2009	OTHER OPERATING EXPENSE	64,464	63,000	0	0
TOTAL, OOE's		\$92,091	\$90,000	0	0
MOF					
OTHER FUNDS					
Informational					
1-1-1 RISK MANAGEMENT PROGRAM					
<u>General Budget</u>					
777	Interagency Contracts	27,627	27,000	0	0
1-2-1 PAY WORKERS' COMPENSATION					
<u>General Budget</u>					
777	Interagency Contracts	64,464	63,000	0	0
TOTAL, OTHER FUNDS		\$92,091	\$90,000	0	0
TOTAL, MOFs		\$92,091	\$90,000	0	0

479 State Office of Risk Management

		Est 2014	Bud 2015	BL 2016	BL 2017
CAPITAL					
<u>General Budget</u>					
OTHER FUNDS		\$300,000	\$100,000	0	0
TOTAL, GENERAL BUDGET		300,000	100,000	0	0
INFORMATIONAL					
<u>General Budget</u>					
OTHER FUNDS		\$92,091	\$90,000	0	0
TOTAL, GENERAL BUDGET		92,091	90,000	0	0
TOTAL, ALL PROJECTS		\$392,091	\$190,000	0	0

6.A. Historically Underutilized Business Supporting Schedule
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/18/2014**
Time: **3:19:54PM**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2012 - 2013 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2012			Total Expenditures		HUB Expenditures FY 2013			Total Expenditures	
			% Actual	Diff	Actual \$	FY 2012	% Goal	% Actual	Diff	Actual \$	FY 2013	
23.6%	Professional Services	100.0 %	100.0%	0.0%	\$13,835	\$13,835	100.0 %	100.0%	0.0%	\$20,560	\$20,560	
24.6%	Other Services	1.2 %	1.2%	0.0%	\$22,371	\$1,840,406	2.2 %	2.1%	-0.1%	\$35,352	\$1,645,031	
21.0%	Commodities	41.0 %	41.0%	0.0%	\$2,573	\$6,281	86.0 %	86.0%	0.0%	\$32,042	\$37,240	
	Total Expenditures		2.1%		\$38,779	\$1,860,522		5.2%		\$87,954	\$1,702,831	

B. Assessment of Fiscal Year 2012 - 2013 Efforts to Meet HUB Procurement Goals

Attainment:

The agency exceeded two of three, or 66.7% of the applicable statewide HUB procurement goals in FY 2012

The agency exceeded three of the three or 100% applicable statewide HUB procurement goals in FY 2013.

Applicability:

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

Factors Affecting Attainment:

SORM has been authorized by the Legislature to procure statewide insurance contracts which state agencies and universities 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, limits 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. However, a new RFP model is being implemented that will assist in contract flexibility and opportunity.

"Good-Faith" Efforts:

The SORM attained an overall HUB percentage of 16.6% in FY12 and 5.17% in FY13. 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.

In order to meet the requirements of TAC Rule §20.13 SORM developed their own HUB goals consistent with the Disparity Study findings and the agency's unique purchasing requirements.

6.B. Current Biennium One-time Expenditure Schedule

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Belinda Hood	Date: 8/14/2014	
Item	2014-2015 Est/Bud		2016-17 Baseline Request	
	Amount	MOF	Amount	MOF
Facility Renovation	\$41,615	777		

**6.B. Current Biennium One-time Expenditure Schedule
Part 1 - Strategy Allocation 2014-15 Biennium**

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Belinda Hood	Date 8/14/14		
PROJECT ITEM: Facility Renovation					
ALLOCATION TO STRATEGY: 1.1.1 Risk Management Program					
Code	Strategy Allocation	Estimated 2014	Budgeted 2015	Requested 2016	Requested 2017
2009	Objects of Expense: Other Operating	8,817	3,668	0	0
	Total, Objects of Expense	\$8,817	\$3,668	\$0	\$0
777	Method of Financing: Interagency Contracts	8,817	3,668	\$0	\$0
	Total, Method of Financing	\$8,817	\$3,668	\$0	\$0

Description of Item for 2014-15

Facility Renovation costs

6.B. Current Biennium One-time Expenditure Schedule
Part 2 - Strategy Allocation 2016-17 Biennium

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Belinda Hood	Date 08/14/14		
PROJECT ITEM: Facility Renovation					
ALLOCATION TO STRATEGY: 1.2.1 Pay Workers' Compensation					
Code	Strategy Allocation	Estimated 2014	Budgeted 2015	Requested 2016	Requested 2017
2009	Objects of Expense: Other Operating	20,572	8,558	0	0
	Total, Objects of Expense	\$20,572	\$8,558	\$0	\$0
777	Method of Financing: Interagency Contracts	20,572	8,558	\$0	\$0
	Total, Method of Financing	\$20,572	\$8,558	\$0	\$0
Description / Purpose for 2016-17 Biennium					
Facility Renovation costs					

6.E. Estimated Revenue Collections Supporting Schedule
84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

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

FUND/ACCOUNT	Act 2013	Exp 2014	Exp 2015	Bud 2016	Est 2017
<u>777</u> Interagency Contracts					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3719 Fees/Copies or Filing of Records	2,820	347	0	0	0
3805 Subrogation Recoveries	1,162,490	567,750	567,750	567,750	567,750
3947 State Office of Risk Mgmt Assessmts	53,175,642	51,169,558	54,570,202	52,302,971	52,302,971
Subtotal: Actual/Estimated Revenue	54,340,952	51,737,655	55,137,952	52,870,721	52,870,721
Total Available	\$54,340,952	\$51,737,655	\$55,137,952	\$52,870,721	\$52,870,721
DEDUCTIONS:					
Expended/Budgeted	(47,949,268)	(48,842,332)	(53,376,447)	(51,109,216)	(51,109,216)
Transfer-Employee Benefits	(1,500,089)	(1,638,210)	(1,761,505)	(1,761,505)	(1,761,505)
UB to Next AY (COBJ 3947)	(4,891,595)	(1,257,113)	0	0	0
Total, Deductions	\$(54,340,952)	\$(51,737,655)	\$(55,137,952)	\$(52,870,721)	\$(52,870,721)
Ending Fund/Account Balance	\$0	\$0	\$0	\$0	\$0

REVENUE ASSUMPTIONS:

CONTACT PERSON:

Stuart B. Cargile

Agency code: **479**

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

Strategy	Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs					
OBJECTS OF EXPENSE:					
1001 SALARIES AND WAGES	\$218,644	\$174,335	\$200,891	\$200,891	\$200,891
1002 OTHER PERSONNEL COSTS	8,720	44,858	2,880	2,880	2,880
2001 PROFESSIONAL FEES AND SERVICES	1,382	1,237	977	1,039	1,039
2003 CONSUMABLE SUPPLIES	600	535	422	442	442
2004 UTILITIES	41	43	34	34	34
2005 TRAVEL	7,802	0	4,500	4,500	4,500
2006 RENT - BUILDING	17	14	11	11	11
2007 RENT - MACHINE AND OTHER	586	560	442	442	442
2009 OTHER OPERATING EXPENSE	35,080	39,901	31,506	28,052	28,052
5000 CAPITAL EXPENDITURES	0	5,921	2,961	0	0
Total, Objects of Expense	\$272,872	\$267,404	\$244,624	\$238,291	\$238,291
METHOD OF FINANCING:					
777 Interagency Contracts	272,872	267,404	244,624	238,291	238,291
Total, Method of Financing	\$272,872	\$267,404	\$244,624	\$238,291	\$238,291
FULL-TIME-EQUIVALENT POSITIONS (FTE):	2.5	2.0	2.0	2.0	2.0

DESCRIPTION

The administrative and support costs in this strategy are related to one-half of the Executive Director, Deputy Executive Director, CFO, and Governmental Relations positions. 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**

Strategy		Exp 2013	Est 2014	Bud 2015	BL 2016	BL 2017
1-2-1		Review Claims, Determine Liability and Pay Eligible Claims				
OBJECTS OF EXPENSE:						
1001	SALARIES AND WAGES	\$218,642	\$244,913	\$258,316	\$258,316	\$258,316
1002	OTHER PERSONNEL COSTS	5,900	19,670	5,040	5,040	5,040
2001	PROFESSIONAL FEES AND SERVICES	52,050	79,873	82,419	88,448	88,448
2003	CONSUMABLE SUPPLIES	505	639	644	722	722
2004	UTILITIES	15	92	93	93	93
2005	TRAVEL	1,677	4,569	4,500	4,500	4,500
2006	RENT - BUILDING	15	18	18	18	18
2007	RENT - MACHINE AND OTHER	494	629	633	633	633
2009	OTHER OPERATING EXPENSE	30,991	53,113	49,316	47,769	47,769
5000	CAPITAL EXPENDITURES	0	7,527	4,801	0	0
Total, Objects of Expense		\$310,289	\$411,043	\$405,780	\$405,539	\$405,539
METHOD OF FINANCING:						
777	Interagency Contracts	310,289	411,043	405,780	405,539	405,539
Total, Method of Financing		\$310,289	\$411,043	\$405,780	\$405,539	\$405,539
FULL-TIME-EQUIVALENT POSITIONS (FTE):		2.5	3.0	3.0	3.0	3.0

DESCRIPTION

The administrative and support costs in this strategy are related to the Office Manager and one-half of the Executive Director, Deputy Executive Director, CFO, and Governmental Relations positions. 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 2013	Est 2014	Bud 2015	BL 2016	BL 2017
GRAND TOTALS					
Objects of Expense					
1001 SALARIES AND WAGES	\$437,286	\$419,248	\$459,207	\$459,207	\$459,207
1002 OTHER PERSONNEL COSTS	\$14,620	\$64,528	\$7,920	\$7,920	\$7,920
2001 PROFESSIONAL FEES AND SERVICES	\$53,432	\$81,110	\$83,396	\$89,487	\$89,487
2003 CONSUMABLE SUPPLIES	\$1,105	\$1,174	\$1,066	\$1,164	\$1,164
2004 UTILITIES	\$56	\$135	\$127	\$127	\$127
2005 TRAVEL	\$9,479	\$4,569	\$9,000	\$9,000	\$9,000
2006 RENT - BUILDING	\$32	\$32	\$29	\$29	\$29
2007 RENT - MACHINE AND OTHER	\$1,080	\$1,189	\$1,075	\$1,075	\$1,075
2009 OTHER OPERATING EXPENSE	\$66,071	\$93,014	\$80,822	\$75,821	\$75,821
5000 CAPITAL EXPENDITURES	\$0	\$13,448	\$7,762	\$0	\$0
Total, Objects of Expense	\$583,161	\$678,447	\$650,404	\$643,830	\$643,830
Method of Financing					
777 Interagency Contracts	\$583,161	\$678,447	\$650,404	\$643,830	\$643,830
Total, Method of Financing	\$583,161	\$678,447	\$650,404	\$643,830	\$643,830
Full-Time-Equivalent Positions (FTE)	5.0	5.0	5.0	5.0	5.0