



Legislative Appropriations Request for Fiscal Years 2010 and 2011

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

by

STATE OFFICE of RISK MANAGEMENT

August 20, 2008

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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 bound paper copies 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 (2008-09 GAA).

Chief Executive Office or Presiding Judge



Signature

Jonathan D. Bow

Printed Name

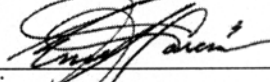
Executive Director

Title

August 21, 2008

Date

Board or Commission Chair



Signature

Ernest C. Garcia

Printed Name

Chairman, Board of Directors

Title

August 21, 2008

Date

Chief Financial Officer



Signature

Stuart B. Cargile

Printed Name

Director of Fund Accounting

Title

August 21, 2008

Date

Administrator's Statement

The mission of the State Office of Risk Management (the 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, 2009, is to protect safety and health and to serve injured state employees while continuing to support the fiscal controls that have reduced the State's costs by over \$25 million per year. In addition this request seeks resources required to implement the legislative requirements of the Office's Sunset Bill, SB908, 80th RS, to improve Return-to-Work outcomes for injured state employees and establish Business Continuity Planning for all state agencies.

AGENCY BACKGROUND

The Office was established in 1997 by the 75th Legislature. The Office is mandated by Texas Labor Code §412.011 to administer insurance services obtained by state agencies, including the government employees workers' compensation insurance program and the state risk management program.

The Office provides services to all state agencies 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) (these entities operate separate workers' compensation and risk management programs pursuant to Texas Labor Code Chapters 502, 503, and 505, respectively).

The Office's statutory objectives and key functions are to:

- administer the workers' compensation insurance program for state employees established under Chapter 501, Texas Labor Code;
- operate as a full-service risk manager and insurance manager for state agencies;

- maintain and review records of property, casualty, or liability insurance coverages purchased by or for state agencies;
- administer the program for the purchase of surety bonds for state officers and employees;
- administer guidelines adopted by the Board for a comprehensive risk management program applicable to all state agencies to reduce property and liability losses, including workers' compensation losses;
- review, verify, monitor, and approve risk management programs adopted by state agencies;
- assist state agencies that have not implemented an effective risk management program to implement a comprehensive program that meets the guidelines established by the Board; and
- provide risk management services for employees of community supervision and corrections departments established under Chapter 76, Government Code, as if the employees were employees of a state agency.

AGENCY FUNDING SOURCES

The Office is funded with a combination of funds from General Revenue and Interagency Contracts (IAC). Historically, the Risk Management program, agency Electronic Data Processing (EDP) and Workers' Compensation Claim Payments have been funded by Interagency Contracts that establish annual assessments to state agencies pursuant to Chapter 412, Texas Labor Code. The assessments, similar to annual premiums, are determined by a formula based on historic FTE, payroll, claims, and claims cost data.

There has been a gradual shift from pure General Revenue funding for the Pay Workers' Compensation strategy to a blended funding strategy that also incorporates IAC. The Pay Workers Compensation strategy incorporates claims adjusting, claims processing, and agency administration and support functions. The shift toward IAC funding has had the effect of reducing the cost of the Office's operations to General Revenue and of shifting those costs proportionately to the agencies that utilize our services. The additional costs which have been passed on to state agencies have been substantially offset by the reductions in claims losses the Office's financial controls have produced.

EXCEPTIONAL ITEMS

The State Office of Risk Management provides important benefits to injured state employees and is keenly aware of the need to control the costs associated with those benefits in difficult economic times. The controls put in place by the Office have proven to be effective in reducing costs by over \$25 million per year. Maintaining close scrutiny on our losses is a primary focus of our appropriations request.

The Office provides coverage for 138 state entities, and over 175,000 covered lives. The Office must rely on automation and skilled staff to provide benefits and maintain financial controls with the limited staff available. Each of our claims adjusters is responsible for oversight of over \$1 million in state funded losses each year. Turnover of claims staff runs at approximately 20% per year. Addressing the disparity between existing salaries and current market salaries for our skilled staff will protect against rising losses due to injuries and claims.

A key component to controlling losses is to improve return to work outcomes for injured state employees. Studies have documented that an injured employee who has not returned to work within two years of an injury is far less likely to ever return to gainful employment. An injured employee who returns to work will generally have a better recovery and will reduce the cost of the injury. SB 908 identified potential savings in better return to work and charged the Office with monitoring and improving return to work outcomes. Unfortunately the budget rider to provide the staff and funding to initiate that effort did not make it to the bill. The Office is requesting staff and funds to implement this important Legislative initiative.

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.

Ernest C. Garcia, J.D., Chairman

Austin, Texas

Term to expire February 1, 2009

Ronald J. Walenta, Vice Chairman

Dallas, Texas

Term to expire February 1, 2011

Ronald D. Beals, M.D.

Tyler, Texas

Term to expire February 1, 2007

Kenneth N. Mitchell

El Paso, Texas

Term to expire February 1, 2009

Martha A. Rider

Houston, Texas

Term to expire February 1, 2007

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 state agency. 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.

Explanation of approach to base reduction exercise.

The Office's approach to the base reduction exercise took into account several factors unique to our mission, structure, and funding sources. As noted the agency's risk management, EDP and workers' compensation payments are all funded from IAC. In addition a significant portion of the "Pay Workers' Compensation" strategy, including medical cost containment expenses, is also funded from IAC.

Thus, all GR funding granted to the Office relates to the Office's statutory duty to provide workers' compensation benefits. Due to the administrative attachment to the OAG all staff paid entirely from that strategy are directly related to performing one or more aspects of that strategy's core function. Virtually all travel for the agency is statutorily mandated and salaries and other personnel costs account for approximately 96% of the agency's GR funding. The only possibility to meet the reduction amount is to reduce staff responsible for payment of workers' compensation.

The agency identified nine positions which if eliminated would provide the reduction amount, but at a substantial increase to workers' compensation claim expenditures. The reductions would involve the elimination of one-third of the dispute Resolution Specialists, almost a third of the agency's lost-time claims adjusters, and 25% of the Accounting Technicians who process the statutorily required payments to injured State workers and their medical care providers.

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
2007	2	\$1,233	\$0	1.70
2008	0	\$68	\$0	0.0
Biennium Total	2	\$1,301	\$0	0.86

Conclusion

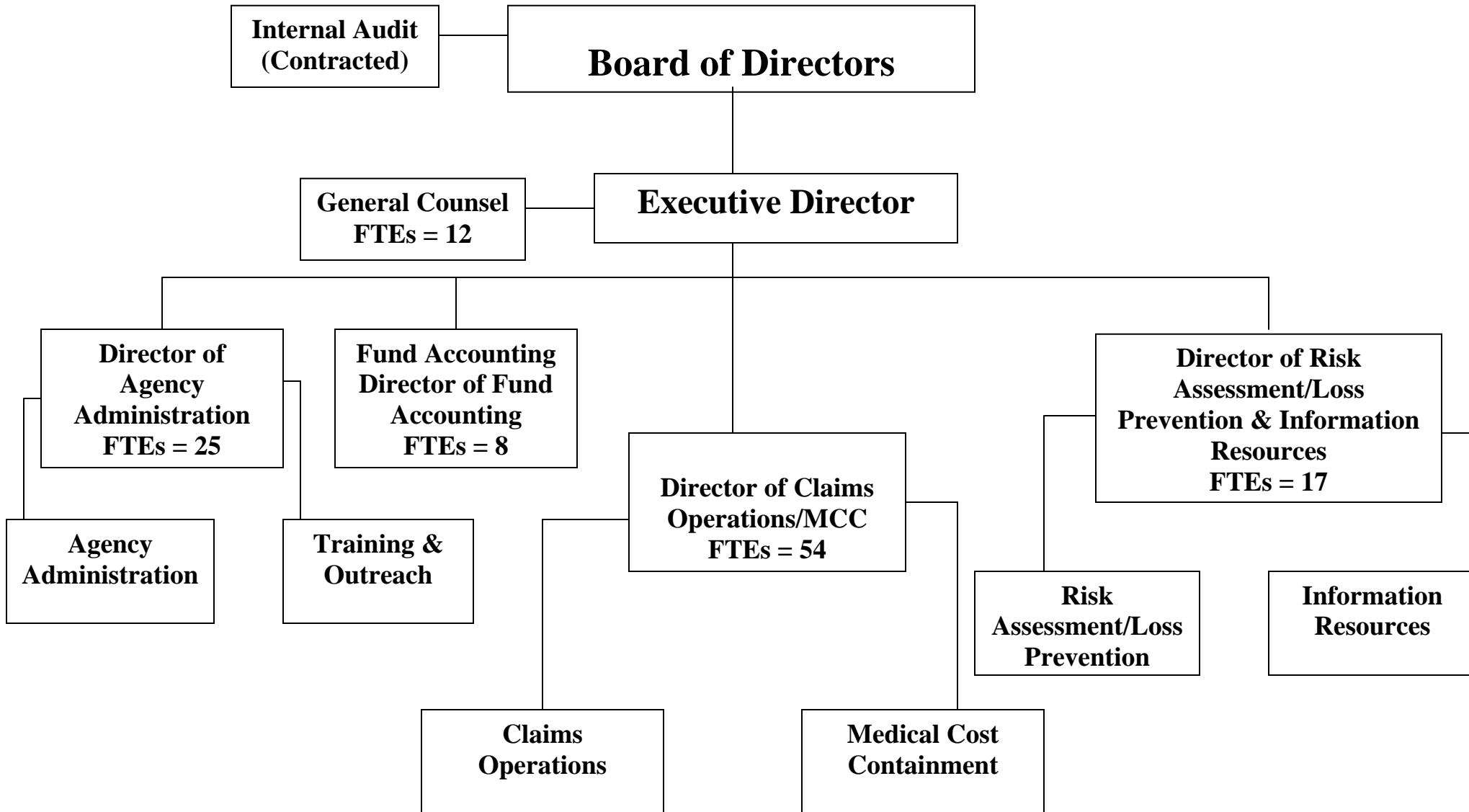
Effective oversight is the key to protecting the state's employees and resources and minimizing losses. We look forward to presenting our appropriation request during the session.

Respectfully,



Jonathan D. Bow, J.D.
Executive Director

State Office of Risk Management



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 Director:

The Executive Director's duties are described at Texas Labor Code, §412.041. The Director serves as the State 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.

General Counsel:

General Counsel provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies. The division consists of Legal Support, Governmental Relations, Dispute Resolution, Subrogation, and Investigations.

Claims Operations:

The Claims Operations division is divided into units focusing on claims administration, medical cost containment and customer service. Assignments are made based on the volume of clients from various agencies and the context of each claim. Claims Operations makes compensability determinations, and follows all claims until their conclusion to ensure that each injured state worker receives all the health care and income benefits to which they are entitled. One unit identifies problematic claims where all indemnity benefits have been paid but there is extensive ongoing medical care. This unit reviews these claims to determine the appropriateness of ongoing treatment. The customer service call center is staffed by adjuster trainees proficient in SORM's claims management system who provide claims information assistance to SORM customers and process claims information.

The Medical Cost Containment Unit works with the Claims Operations division to process workers' compensation medical claims and provide administrative oversight of the agency's medical cost containment services vendor. The unit includes Medical Provider Assistance, which reviews and monitors the payments of all medical bills received by the agency; Case Management Review, which researches, reviews, and examines claims information and medical reports for corrective action and/or proper medical treatment plans; and Medical Bill Audit, which monitors the medical cost containment vendor's performance and identifies potential medical provider fraud and abuse.

Agency Administration:

Agency Administration consists of Office Administration, Customer Service, and Document Processing. The Office Administration section processes all procurement requests, agency travel, oversees the agency's fixed assets, and coordinates all telecommunications and building maintenance requests. All human resource functions reside with Office Administration, including personnel actions and leave accounting. The Document Management section is responsible for the initial setup and data entry of workers' compensation claims received, as well as the maintenance of all inactive claim files. The Director of Agency Administration serves as the agency's Customer Service Liaison and Records Retention Officer.

Agency Outreach and Training:

Agency Outreach and Training provides health and safety, risk management, and workers' compensation claims coordinator training for state agencies. This division also assembles and maintains technical documents and manuals, such as the Claims Coordinator Handbook, and produces the quarterly SORM newsletter, Risk-Tex.

Fund Accounting:

Fund Accounting processes and issues workers' compensation medical and indemnity payments to claimants and medical providers, including the cancellation, re-issue, deposit, and correction of warrants. This division reports agency fund balances and maintains medical records of claimants; processes recoupment; provides customer service to claimants and providers; distributes client agency reports; and processes benefit corrections. The division assists in the preparation and submission of the Legislative Appropriations Request, Operating Budget and ABEST reconciliation, and provides assessment information to agencies and monitoring assessment payments from agencies.

Risk Assessment and Loss Prevention:

Risk Management Specialists conduct Safety Program Evaluations to assist state agencies in establishing employee health and safety programs designed to provide a safe and healthful environment for agency employees and the public served by the agencies. Reviews of Risk Management Programs are also performed to determine the status of state agency efforts to develop and implement comprehensive risk management programs. This division collects comprehensive information on agency exposures and risks; develops and distributes model risk management manuals, programs, and procedures for use by smaller agencies; maintains the SORM reference library for internal and agency use; and operates the statewide Insurance Purchasing Program.

Information Resources:

Information Resources provides computer support to SORM in conjunction with the Office of the Attorney General. The division maintains and develops technological resources for internal and external use; and provides data reports to state agencies to help them determine the frequency and severity of claims and losses, and to begin establishing historical trend information to help determine projections of minimum and maximum probable losses.

2.A. SUMMARY OF BASE REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:25:25PM**

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

Goal / Objective / STRATEGY	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
1 Manage Workers' Compensation Costs					
1 Risk Management					
1 RISK MANAGEMENT PROGRAM	2,015,311	2,036,050	2,069,529	2,069,529	2,069,529
2 Claims Administration					
1 PAY WORKERS' COMPENSATION	6,084,844	5,905,593	6,469,948	6,469,948	6,469,948
TOTAL, GOAL 1	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
TOTAL, AGENCY STRATEGY REQUEST	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	3,925,626	3,676,653	3,775,037	3,775,037	3,775,037
SUBTOTAL	\$3,925,626	\$3,676,653	\$3,775,037	\$3,775,037	\$3,775,037
Other Funds:					
666 Appropriated Receipts	15,834	550	0	0	0
777 Interagency Contracts	4,158,695	4,264,440	4,764,440	4,764,440	4,764,440
SUBTOTAL	\$4,174,529	\$4,264,990	\$4,764,440	\$4,764,440	\$4,764,440
TOTAL, METHOD OF FINANCING	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477

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

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:25:50PM**

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

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>GENERAL REVENUE</u>					
1 General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
H.B. 1, 80th Leg., R.S. Art I, Page I-80 (2008-09 GAA)	\$0	\$3,580,198	\$3,580,198	\$3,775,037	\$3,775,037
S.B. 1, 79th Leg., R.S. Art I, Page I-76 (2006-07 GAA)	\$3,620,665	\$0	\$0	\$0	\$0
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 13.17(a), Salary Increase (2006-07 GAA)	\$301,587	\$0	\$0	\$0	\$0
Art IX, Sec 19.62(a), Salary Increase (2008-09 GAA)	\$0	\$96,455	\$194,839	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 8.04, Surplus Property (2006-07 GAA)	\$3,374	\$0	\$0	\$0	\$0
TOTAL, General Revenue Fund	\$3,925,626	\$3,676,653	\$3,775,037	\$3,775,037	\$3,775,037
TOTAL, ALL GENERAL REVENUE	\$3,925,626	\$3,676,653	\$3,775,037	\$3,775,037	\$3,775,037

OTHER FUNDS

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:25:57PM**

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

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>OTHER FUNDS</u>					
<u>666</u> Appropriated Receipts					
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 8.03, Reimbursements and Payments (2006-07 GAA)	\$15,834	\$0	\$0	\$0	\$0
Art IX, Sec 8.03, Reimbursements and Payments (2008-09 GAA)	\$0	\$550	\$0	\$0	\$0
TOTAL, Appropriated Receipts	\$15,834	\$550	\$0	\$0	\$0
<u>777</u> Interagency Contracts					
<i>REGULAR APPROPRIATIONS</i>					
H.B. 1, 80th Leg., R.S. Art I (2008-09 GAA)	\$0	\$4,764,440	\$4,764,440	\$4,764,440	\$4,764,440
S.B. 1, 79th Leg., R.S. Art I (2006-07 GAA)	\$4,354,930	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Rider 2, Appr of UB for Cost Containment, Strat A.2.1 (2008-09 GAA)	\$0	\$0	\$(500,000)	\$0	\$0
Rider 4, Appr of UB for Cost Containment, Strat A.2.1 (2006-07 GAA)	\$(250,598)	\$0	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:25:57PM**

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

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>OTHER FUNDS</u>					
Rider 4, Appr of UB for Cost Containment, Strat A.2.1 (2006-07 GAA)	\$(500,000)	\$0	\$0	\$0	\$0
<i>UNEXPENDED BALANCES AUTHORITY</i>					
Art IX, Sec 6.16(j), Capital Budget UB (2006-07 GAA)	\$80,159	\$0	\$0	\$0	\$0
H.B. 1, 80th Leg. R.S. Art I, Rider 2, Pg I-81 UB (2008-09 GAA)	\$0	\$(500,000)	\$500,000	\$0	\$0
SB 1, 79th Leg, RS Art I, Rider 4 UB for Cost Containment(2006-07 GAA)	\$474,204	\$0	\$0	\$0	\$0
TOTAL, Interagency Contracts	\$4,158,695	\$4,264,440	\$4,764,440	\$4,764,440	\$4,764,440
TOTAL, ALL OTHER FUNDS	\$4,174,529	\$4,264,990	\$4,764,440	\$4,764,440	\$4,764,440
GRAND TOTAL	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:25:57PM**

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

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>FULL-TIME-EQUIVALENT POSITIONS</u>					
REGULAR APPROPRIATIONS					
S.B. 1, 79th Leg., R.S. Art I, Page I-76 (2006-07 GAA)	124.0	0.0	0.0	0.0	0.0
H.B. 1, 80th Leg., R.S. Art I, Page I-80 (2008-09 GAA)	0.0	122.0	122.0	122.0	122.0
UNAUTHORIZED NUMBER OVER (BELOW) CAP					
H.B. 1, 80th Leg., R.S. Art I, Page I-80 (2008-09 GAA)	0.0	(7.5)	0.0	0.0	0.0
S.B. 1, 79th Leg., R.S. Art I, Page I-76 (2006-07 GAA)	(6.9)	0.0	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	117.1	114.5	122.0	122.0	122.0
NUMBER OF 100% FEDERALLY FUNDED FTES	0.0	0.0	0.0	0.0	0.0

2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:26:24PM**

Agency code: 479	Agency name: State Office of Risk Management				
OBJECT OF EXPENSE	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1001 SALARIES AND WAGES	\$4,802,487	\$4,761,590	\$5,088,909	\$5,283,748	\$5,283,748
1002 OTHER PERSONNEL COSTS	\$265,302	\$493,597	\$333,268	\$138,429	\$138,429
2001 PROFESSIONAL FEES AND SERVICES	\$2,248,080	\$1,915,020	\$2,415,520	\$2,415,520	\$2,415,520
2003 CONSUMABLE SUPPLIES	\$62,164	\$53,240	\$50,000	\$50,000	\$50,000
2004 UTILITIES	\$6,391	\$4,800	\$4,330	\$4,330	\$4,330
2005 TRAVEL	\$137,970	\$151,973	\$146,234	\$146,234	\$146,234
2006 RENT - BUILDING	\$7,864	\$2,626	\$916	\$916	\$916
2007 RENT - MACHINE AND OTHER	\$21,874	\$27,144	\$31,000	\$31,000	\$31,000
2009 OTHER OPERATING EXPENSE	\$548,023	\$511,653	\$469,300	\$469,300	\$469,300
5000 CAPITAL EXPENDITURES	\$0	\$20,000	\$0	\$0	\$0
OOE Total (Excluding Riders)	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
OOE Total (Riders)					
Grand Total	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

Date : **8/21/2008**

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Time: **3:27:39PM**

Agency code: **479**

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

Goal/ Objective / Outcome	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1 Manage Workers' Compensation Costs					
1 Risk Management					
KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees					
	3.88%	4.09%	4.00%	4.00%	4.00%
2 Claims Administration					
KEY 1 Cost of Workers' Compensation Per Covered State Employee					
	275.59	286.73	297.17	311.31	316.97
KEY 2 Cost of Workers' Compensation Coverage per \$100 State Payroll					
	0.80	0.86	0.87	0.91	0.93

2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST

81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME : 3:28:00PM

Agency code: 479

Agency name: State Office of Risk Management

Priority	Item	2010			2011			Biennium	
		GR and GR/Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Add'l Staffing to Fulfill Sunset		\$244,437	4.0		\$238,437	4.0		\$482,874
2	High Volume Scanner Upgrade		\$70,000			\$0			\$70,000
3	Workstations Upgrade		\$90,000			\$90,000			\$180,000
4	Increased Risk Mgmt and IR Salaries		\$94,000			\$94,000			\$188,000
5	Increased Claims Admin Salaries		\$300,000			\$300,000			\$600,000
6	Impl. Workers' Comp Health Care Net		\$250,000			\$250,000			\$500,000
Total, Exceptional Items Request			\$1,048,437	4.0		\$972,437	4.0		\$2,020,874

Method of Financing

General Revenue									
General Revenue - Dedicated									
Federal Funds									
Other Funds		1,048,437			972,437				2,020,874
	\$0	\$1,048,437			\$0	\$972,437		\$0	\$2,020,874

Full Time Equivalent Positions

4.0

4.0

Number of 100% Federally Funded FTEs

0.0

0.0

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/21/2008
 TIME : 3:28:22PM

Agency code: 479		Agency name: State Office of Risk Management				
Goal/Objective/STRATEGY	Base 2010	Base 2011	Exceptional 2010	Exceptional 2011	Total Request 2010	Total Request 2011
1 Manage Workers' Compensation Costs						
1 Risk Management						
1 RISK MANAGEMENT PROGRAM	\$2,069,529	\$2,069,529	\$207,742	\$185,242	\$2,277,271	\$2,254,771
2 Claims Administration						
1 PAY WORKERS' COMPENSATION	6,469,948	6,469,948	840,695	787,195	7,310,643	7,257,143
TOTAL, GOAL 1	\$8,539,477	\$8,539,477	\$1,048,437	\$972,437	\$9,587,914	\$9,511,914
TOTAL, AGENCY STRATEGY REQUEST	\$8,539,477	\$8,539,477	\$1,048,437	\$972,437	\$9,587,914	\$9,511,914
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$8,539,477	\$8,539,477	\$1,048,437	\$972,437	\$9,587,914	\$9,511,914

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/21/2008
 TIME : 3:28:32PM

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

Goal/Objective/STRATEGY	Base 2010	Base 2011	Exceptional 2010	Exceptional 2011	Total Request 2010	Total Request 2011
General Revenue Funds:						
1 General Revenue Fund	\$3,775,037	\$3,775,037	\$0	\$0	\$3,775,037	\$3,775,037
	\$3,775,037	\$3,775,037	\$0	\$0	\$3,775,037	\$3,775,037
Other Funds:						
666 Appropriated Receipts	0	0	0	0	\$0	\$0
777 Interagency Contracts	4,764,440	4,764,440	1,048,437	972,437	\$5,812,877	\$5,736,877
	\$4,764,440	\$4,764,440	\$1,048,437	\$972,437	\$5,812,877	\$5,736,877
TOTAL, METHOD OF FINANCING	\$8,539,477	\$8,539,477	\$1,048,437	\$972,437	\$9,587,914	\$9,511,914
FULL TIME EQUIVALENT POSITIONS	122.0	122.0	4.0	4.0	126.0	126.0

2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/21/2008

Time: 3:28:46PM

Agency code: **479**

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

Goal/ Objective / Outcome

		BL 2010	BL 2011	Excp 2010	Excp 2011	Total Request 2010	Total Request 2011
1	Manage Workers' Compensation Costs						
1	<i>Risk Management</i>						
KEY	1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees						
		4.00%	4.00%	0.00%	0.00%	0.00%	0.00%
2	<i>Claims Administration</i>						
KEY	1 Cost of Workers' Compensation Per Covered State Employee						
		311.31	316.97	4.79	4.49	4.79	4.49
KEY	2 Cost of Workers' Compensation Coverage per \$100 State Payroll						
		0.91	0.93	0.01	0.01	0.01	0.01

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:29:05PM

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	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
Output Measures:						
KEY 1	Number of Written Risk Management Program Reviews Conducted	32.00	32.00	32.00	32.00	32.00
KEY 2	Number of On-site Consultations Conducted	254.00	256.00	250.00	250.00	250.00
3	Number of Risk Management Training Sessions Conducted	267.00	270.00	250.00	250.00	250.00
Efficiency Measures:						
1	Cost Per Hour of Direct Risk Management Service Provided	94.15	99.95	100.00	100.00	100.00
Explanatory/Input Measures:						
1	Percentage of Total Assessments Collected Used for Claim Payments	96.77 %	97.77 %	100.00 %	100.00 %	100.00 %
Objects of Expense:						
1001	SALARIES AND WAGES	\$1,677,594	\$1,563,831	\$1,682,210	\$1,748,511	\$1,748,511
1002	OTHER PERSONNEL COSTS	\$75,681	\$217,982	\$127,863	\$61,562	\$61,562
2001	PROFESSIONAL FEES AND SERVICES	\$8,643	\$4,506	\$4,656	\$4,656	\$4,656
2003	CONSUMABLE SUPPLIES	\$14,261	\$11,872	\$12,000	\$12,000	\$12,000
2004	UTILITIES	\$2,448	\$1,300	\$1,100	\$1,100	\$1,100
2005	TRAVEL	\$68,665	\$93,411	\$91,373	\$91,373	\$91,373
2006	RENT - BUILDING	\$216	\$216	\$216	\$216	\$216
2007	RENT - MACHINE AND OTHER	\$5,076	\$8,170	\$10,000	\$10,000	\$10,000
2009	OTHER OPERATING EXPENSE	\$162,727	\$128,762	\$140,111	\$140,111	\$140,111
5000	CAPITAL EXPENDITURES	\$0	\$6,000	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$2,015,311	\$2,036,050	\$2,069,529	\$2,069,529	\$2,069,529
Method of Financing:						
1	General Revenue Fund	\$104,086	\$32,822	\$66,301	\$0	\$0

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:29:12PM

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	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$104,086	\$32,822	\$66,301	\$0	\$0
Method of Financing:						
777	Interagency Contracts	\$1,911,225	\$2,003,228	\$2,003,228	\$2,069,529	\$2,069,529
SUBTOTAL, MOF (OTHER FUNDS)		\$1,911,225	\$2,003,228	\$2,003,228	\$2,069,529	\$2,069,529
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,069,529	\$2,069,529
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,015,311	\$2,036,050	\$2,069,529	\$2,069,529	\$2,069,529
FULL TIME EQUIVALENT POSITIONS:		34.4	31.7	35.0	35.0	35.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

The Executive Director of the Office serves as the State Risk Manager. The Office provides services to 138 state agencies and 122 Community Supervision and Corrections Departments (CSCDs). The Office's programs include approximately 175,000 state employees, over \$11.9 billion dollars in capital investments, and approximately \$2.8 billion in fixed assets at historical costs. The Office provides field safety inspections, training, an interactive Risk Management Information System (RMIS) and assistance to client agencies in mitigating risks identified in the Risk Evaluation and Planning System (REPS).

The Office's responsibilities include: providing feedback to state agencies in identifying, evaluating, and reducing potential liability exposure and liability losses, including workers' compensation losses; reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies; providing risk management training for state agencies; and collecting and reporting risk and loss information to lawmakers, decision makers and executives.

The Office publishes risk management guidelines, conducts safety reviews, devises protocols and responses at the request of state agencies or in response to external threats or risks, and provides risk management analyses, consultations, and insurance services to state agencies.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:29:12PM

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	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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The external factors that are likely to impact risk management efforts are: changes to state government altering the different types and /or levels of risk experienced by the state; inadequate business continuity planning resulting in failure to achieve an agency's core mission; unfunded statutory BCP mandates; inadequate training and/or support for risk managers at client agencies; fluctuations in injury frequency rates due to changing exposures; and lack of confidentiality for reporting risk management and business continuity information.

The internal factors that are likely to impact risk management efforts are: inability to maintain current staffing levels with appropriate risk management skills and expertise; reduction in allocated FTEs reducing capacity to perform the minimum number of Risk Management Program Reviews & On-Site Consultations; ability of current staff to maintain increasingly detailed client agency information; adequacy of financial resources to allow staff to travel to client agency locations; and lack of resources to fully implement statutory BCP initiatives

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:29:12PM

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	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
Output Measures:						
1	Number of Initial Eligibility Determinations Made	7,725.00	8,025.00	8,000.00	8,000.00	8,000.00
KEY 2	Number of Medical Bills Processed	133,925.00	119,446.91	120,000.00	120,000.00	120,000.00
KEY 3	Number of Indemnity Bills Paid	38,418.00	36,854.18	38,500.00	38,500.00	38,500.00
Efficiency Measures:						
KEY 1	Average Cost to Administer Claim	532.94	564.22	618.13	618.13	618.13
Objects of Expense:						
1001	SALARIES AND WAGES	\$3,124,893	\$3,197,759	\$3,406,699	\$3,535,237	\$3,535,237
1002	OTHER PERSONNEL COSTS	\$189,621	\$275,615	\$205,405	\$76,867	\$76,867
2001	PROFESSIONAL FEES AND SERVICES	\$2,239,437	\$1,910,514	\$2,410,864	\$2,410,864	\$2,410,864
2003	CONSUMABLE SUPPLIES	\$47,903	\$41,368	\$38,000	\$38,000	\$38,000
2004	UTILITIES	\$3,943	\$3,500	\$3,230	\$3,230	\$3,230
2005	TRAVEL	\$69,305	\$58,562	\$54,861	\$54,861	\$54,861
2006	RENT - BUILDING	\$7,648	\$2,410	\$700	\$700	\$700
2007	RENT - MACHINE AND OTHER	\$16,798	\$18,974	\$21,000	\$21,000	\$21,000
2009	OTHER OPERATING EXPENSE	\$385,296	\$382,891	\$329,189	\$329,189	\$329,189
5000	CAPITAL EXPENDITURES	\$0	\$14,000	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$6,084,844	\$5,905,593	\$6,469,948	\$6,469,948	\$6,469,948

Method of Financing:

1	General Revenue Fund	\$3,821,540	\$3,643,831	\$3,708,736	\$3,775,037	\$3,775,037
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$3,821,540	\$3,643,831	\$3,708,736	\$3,775,037	\$3,775,037

Method of Financing:

666	Appropriated Receipts	\$15,834	\$550	\$0	\$0	\$0
777	Interagency Contracts	\$2,247,470	\$2,261,212	\$2,761,212	\$2,694,911	\$2,694,911

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:29:12PM

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	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
SUBTOTAL, MOF (OTHER FUNDS)		\$2,263,304	\$2,261,762	\$2,761,212	\$2,694,911	\$2,694,911
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$6,469,948	\$6,469,948
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$6,084,844	\$5,905,593	\$6,469,948	\$6,469,948	\$6,469,948
FULL TIME EQUIVALENT POSITIONS:		82.7	82.8	87.0	87.0	87.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

The Office provides workers' compensation claims administration services to all state agencies (excepting TxDOT, and the UT and A&M University Systems). Both ERS & 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 but declining at 138 entities, and will decrease in the event of additional agency consolidations. The number of current covered FTEs has increased from 147,847 in FY92 to 174,743 in FY07. State employees are geographically distributed throughout the state with concentrations in the major metropolitan areas .

The Office's responsibilities include: operating a self-insured workers' compensation program for the State of Texas pursuant to the Labor Code and Division of Workers' Compensation/Texas Department of Insurance (DWC/TDI) regulations; receiving and investigating reports of injury; determining compensability and paying income and medical benefits as due; reviewing medical bills to determine reasonableness, necessity, and compliance with DWC fee guidelines; appearing as an adversary before DWC and the courts and presenting the legal defenses; developing and/or procuring and adopting a TDI-credentialed workers' compensation healthcare network, if appropriate; preparing reports for the Legislature on workers' compensation claims information; 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: changes in law (e.g., HB7, 79th RS, specifically Workers' Compensation Healthcare Networks; and SB908, 80th RS, the Office's Sunset legislation with additional program mandates, including RTW); statutory increases in indemnity benefit amounts; unfunded liability for potential administrative penalties; and other changes to state government altering the different types and levels of risk experienced by the state.

The internal factors that are likely to impact the workers' compensation program are: staff turnover and retention of key staff; the need for timely audits of claim files; tracking and monitoring of over/underpayments; and backlog of documents archiving.

3.A. STRATEGY REQUEST
81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
TIME: 3:29:12PM

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
METHODS OF FINANCE (INCLUDING RIDERS):				\$8,539,477	\$8,539,477
METHODS OF FINANCE (EXCLUDING RIDERS):	\$8,100,155	\$7,941,643	\$8,539,477	\$8,539,477	\$8,539,477
FULL TIME EQUIVALENT POSITIONS:	117.1	114.5	122.0	122.0	122.0

3.B. Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Stuart B. Cargile	Date: 08/20/08	Request Level: Base
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Current Rider Number	Page Number in 2008-09 GAA	Proposed Rider Language
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2

I-74

Appropriation of Unexpended Balances Carry Forward of Excess Collected Assessments.

Any unexpended balances remaining Interagency Contract receipts collected through annual assessments to agencies are as of August 31, 2008, out of appropriations made to Strategy A.2.1, Pay Workers' Compensation, are hereby appropriated to the State Office of Risk Management for the fiscal year beginning September 1, 2008, to be applied toward the assessments charged to state agencies for the medical cost containment vendor and workers' compensation network contracts for fiscal year 2009 workers' compensation administration and risk management services in the following year.

The proposed changes make the treatment of all funding from the annual assessments to state agencies consistent with the claim cost portion, as proscribed by Article IX, Section 15.02(h). The requested changes do not increase the total appropriated authority in the following year but do reduce the new charges to client agencies. The proposed changes also allow the collected assessments, portions of which are originally funded at an agency level by federal and other non-treasury sources, to remain in use for the purposes intended.

3

I-74

Sunset Contingency.

Funds appropriated above for Workers' Compensation Payments are made contingent on the continuation of the State Office of Risk Management by the Eightieth Legislature. In the event that the agency is not continued, the funds appropriated for fiscal year 2008 or as much thereof as may be necessary are to be used to provide for the phase out of agency operations.

This rider is unnecessary for the 2010/2011 biennium.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:25:55AM**

Agency code: **479**

Agency name:

State Office of Risk Management

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2010</u>	<u>Excp 2011</u>
	Item Name: Additional Staffing to Fulfill Sunset Requirements		
	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	234,437	234,437
2005	TRAVEL	4,000	4,000
2009	OTHER OPERATING EXPENSE	6,000	0
TOTAL, OBJECT OF EXPENSE		\$244,437	\$238,437
 METHOD OF FINANCING:			
777	Interagency Contracts	244,437	238,437
TOTAL, METHOD OF FINANCING		\$244,437	\$238,437
 FULL-TIME EQUIVALENT POSITIONS (FTE):		 4.00	 4.00

DESCRIPTION / JUSTIFICATION:

Senate Bill 908, among other mandates, required SORM to oversee Business Continuity Planning for state agencies and to develop an expanded Case Management Program emphasizing return to work. These mandates were not funded at the time of bill passage. As identified by the Sunset Advisory Commission, one additional FTE (Risk Management Specialist III) would be required at SORM to assist state agencies with the development of business continuity plans. This would result in an annual cost of \$63,242 (salary and benefits) to hire an additional employee to perform the consultations. Additional costs include \$1,000 per fiscal year for additional travel and \$1,500 in fiscal year 2010 for a personal computer.

The Sunset Advisory Commission estimated that two additional FTEs were required to provide state agencies return - to-work coordination services for injured employees and collect and analyze data concerning lost time and return to work outcomes of state agencies. Based on agency caseloads and program requirements, the Office has identified the need for one Case Manager in addition to this previous recommendation. Successful program implementation requires the experience and expertise of Registered Nurse Case Managers to enhance injured workers' Return To Work outcomes based on early intervention through treatment negotiation and planning; appropriate assessment of related disability; and assessment of the quantity and quality of ongoing treatment. SORM's challenge in this area is a lack of qualified nursing staff with training in disability management and treatment guidelines to handle medically complex claims. Salary and benefits for three Case Management IV FTEs would be \$171,195 or each fiscal year of the 2010-11 biennium. Additional costs include \$3,000 per fiscal year in travel and \$4,500 in fiscal year 2010 for personal computers.

The requested method of finance is interagency contracts, funded by the annual assessments to agencies.

EXTERNAL/INTERNAL FACTORS:

Legislative mandates; Sunset recommendations; adequate staffing; mission critical functions.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:26:14AM**

Agency code: **479**

Agency name:

State Office of Risk Management

CODE	DESCRIPTION	Excp 2010	Excp 2011
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Item Name: High Volume Scanner Upgrade

Item Priority: 2

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:

5000	CAPITAL EXPENDITURES	70,000	0
TOTAL, OBJECT OF EXPENSE		\$70,000	\$0

METHOD OF FINANCING:

777	Interagency Contracts	70,000	0
TOTAL, METHOD OF FINANCING		\$70,000	\$0

DESCRIPTION / JUSTIFICATION:

Currently the office operates three low-volume rated Kodak scanners that are over seven years old and one mid-volume Panasonic scanner that is over two years old . Combined, these scanners must process over two million pages of claims -related documentation each year. The scanning of documents to agency staff is a mission -critical function. The aged scanners are experiencing increased malfunctions and down time that compromises the agency's ability to meet statutory performance measures and the needs of injured state employees.

The Office must rely heavily on technology to administer claims within statutory deadlines with existing staff . The Office has experienced significant success in applying technological solutions for improved performance utilizing existing personnel . The cost of the scanner is \$50,000 and the capture license expense is \$20,000. Procurement of this equipment will allow continued electronic storage of claims information , provide secure storage of legal documents , and it is anticipated that current workload volumes will be able to be maintained with current staff utilizing this equipment .

The requested method of finance is interagency contracts, funded by the annual assessments to agencies.

EXTERNAL/INTERNAL FACTORS:

Statutory mission and data mandates; DIR recommendations; aging hardware.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:26:14AM**

Agency code: **479**

Agency name:

State Office of Risk Management

CODE	DESCRIPTION	Excp 2010	Excp 2011
	Item Name: Workstations Upgrade		
	Item Priority: 3		
	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:			
2009	OTHER OPERATING EXPENSE	90,000	90,000
	TOTAL, OBJECT OF EXPENSE	\$90,000	\$90,000
 METHOD OF FINANCING:			
777	Interagency Contracts	90,000	90,000
	TOTAL, METHOD OF FINANCING	\$90,000	\$90,000

DESCRIPTION / JUSTIFICATION:

Pursuant to DIR guidelines, the State Office of Risk Management has established a four year replacement cycle for desktop computers . The last replacement occurred in 2006. Current data processing capabilities must be maintained in order to process workers' compensation claims in a timely manner and assist client agencies in establishing viable risk management programs. The next planned procurement point is scheduled for 2010. The cost for agency desktop replacement is requested at \$90,000 in FY10 and \$90,000 in FY 11.

The requested method of finance is interagency contracts, funded by the annual assessments to agencies.

EXTERNAL/INTERNAL FACTORS:

Statutory mission and data mandates; DIR recommendations; aging hardware.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:26:14AM**

Agency code: **479**

Agency name:

State Office of Risk Management

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2010</u>	<u>Excp 2011</u>
	Item Name: Increased Risk Management and IR Salaries		
	Item Priority: 4		
	Includes Funding for the Following Strategy or Strategies: 01-01-01 Assist/Review/Monitor Agencies' Risk Management Programs		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	94,000	94,000
	TOTAL, OBJECT OF EXPENSE	\$94,000	\$94,000
METHOD OF FINANCING:			
777	Interagency Contracts	94,000	94,000
	TOTAL, METHOD OF FINANCING	\$94,000	\$94,000

DESCRIPTION / JUSTIFICATION:

Risk Management and Information Resources supporting agency functions are mission critical . Recent legislative initiatives require highly educated and experienced staff, and attracting and retaining such staff requires salaries approach that meet industry standards . Statewide occupation averages, as reported by the Texas Workforce Commission, indicate a substantial deficit in salary available to the agency for these skilled positions. The requested method of finance is interagency contracts, funded by the annual assessments to agencies .

EXTERNAL/INTERNAL FACTORS:

Legislative mandates; adequate staffing; hiring and retention.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:26:14AM**

Agency code: **479**

Agency name:

State Office of Risk Management

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2010</u>	<u>Excp 2011</u>
	Item Name: Increased Claims Administration Salaries		
	Item Priority: 5		
	Includes Funding for the Following Strategy or Strategies: 01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	300,000	300,000
	TOTAL, OBJECT OF EXPENSE	\$300,000	\$300,000
METHOD OF FINANCING:			
777	Interagency Contracts	300,000	300,000
	TOTAL, METHOD OF FINANCING	\$300,000	\$300,000

DESCRIPTION / JUSTIFICATION:

The State Office of Risk Management adjusts claims for agencies with employees who are at a high risk for injury that require the experience and expertise of experienced claims adjusters. High turnover in the claims adjusting staff makes it difficult to perform quality claims administration on a consistent basis. Workers' compensation is a complex medical and legal system that is not easily understood by persons with little or no experience in the system. The Office's historically high turnover in its claims adjusting staff (appx 20% per annum) is driven primarily by low salaries. The current market for claims administration in the private sector is hardening and currently unfavorable to the Office's ability to acquire outside skills. Salaries in the claims administration area are not competitive with other state agencies that administer workers' compensation programs (the University of Texas and Texas A&M University Systems and the Texas Department of Transportation) and significantly less than the private sector. In a number of instances, claims staff have accepted positions with less responsibility in the private sector that pay more than their supervisors make at SORM. SORM has experienced extended periods in which no applications meeting minimum qualifications are received for posted vacancies. A more competitive compensation package would increase the Office's ability to retain its employees and to better compete with the private labor market for qualified applicants.

The requested method of finance is interagency contracts, funded by the annual assessments to agencies.

EXTERNAL/INTERNAL FACTORS:

Adequate staffing; specialized subject matter expertise; statutory/administrative requirements.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
 TIME: **10:26:14AM**

Agency code: **479**

Agency name:

State Office of Risk Management

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2010</u>	<u>Excp 2011</u>
	Item Name: Implementation of a Workers' Compensation Health Care Network		
	Item Priority: 6		
	Includes Funding for the Following Strategy or Strategies: 01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
 OBJECTS OF EXPENSE:			
2001	PROFESSIONAL FEES AND SERVICES	250,000	250,000
	TOTAL, OBJECT OF EXPENSE	\$250,000	\$250,000
 METHOD OF FINANCING:			
777	Interagency Contracts	250,000	250,000
	TOTAL, METHOD OF FINANCING	\$250,000	\$250,000

DESCRIPTION / JUSTIFICATION:

House Bill 7, 79th Legislature, authorized Workers' Compensation Healthcare Networks pursuant to Chapter 1305, Texas Insurance Code. Funding for evaluation, implementation and oversight of networks has not been specifically provided . Efforts to implement networks via standard state procurement methodologies has been hampered by lack of expertise and adequate staffing.

The requested method of finance is interagency contracts, funded by the annual assessments to agencies .

EXTERNAL/INTERNAL FACTORS:

Statutory initiatives; regulatory requirements; adequate oversight; contact maintenance.

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:48AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Additional Staffing to Fulfill Sunset Requirements			
Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Written Risk Management Program Reviews Conducted	0.00	0.00
<u>2</u>	Number of On-site Consultations Conducted	0.00	0.00
<u>3</u>	Number of Risk Management Training Sessions Conducted	0.00	0.00
EFFICIENCY MEASURES:			
<u>1</u>	Cost Per Hour of Direct Risk Management Service Provided	3.23	3.15
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	63,242	63,242
2005	TRAVEL	1,000	1,000
2009	OTHER OPERATING EXPENSE	1,500	0
TOTAL, OBJECT OF EXPENSE		\$65,742	\$64,242
METHOD OF FINANCING:			
777	Interagency Contracts	65,742	64,242
TOTAL, METHOD OF FINANCING		\$65,742	\$64,242
FULL-TIME EQUIVALENT POSITIONS (FTE):		1.0	1.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Additional Staffing to Fulfill Sunset Requirements			
Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Cost of Workers' Compensation Per Covered State Employee	1.01	0.99
<u>2</u>	Cost of Workers' Compensation Coverage per \$100 State Payroll	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Initial Eligibility Determinations Made	0.00	0.00
<u>2</u>	Number of Medical Bills Processed	0.00	0.00
<u>3</u>	Number of Indemnity Bills Paid	0.00	0.00
EFFICIENCY MEASURES:			
<u>1</u>	Average Cost to Administer Claim	17.07	16.64
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	171,195	171,195
2005	TRAVEL	3,000	3,000
2009	OTHER OPERATING EXPENSE	4,500	0
TOTAL, OBJECT OF EXPENSE		\$178,695	\$174,195
METHOD OF FINANCING:			
777	Interagency Contracts	178,695	174,195
TOTAL, METHOD OF FINANCING		\$178,695	\$174,195
FULL-TIME EQUIVALENT POSITIONS (FTE):		3.0	3.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: High Volume Scanner Upgrade			
Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
OUTPUT MEASURES:			
	<u>1</u> Number of Written Risk Management Program Reviews Conducted	0.00	0.00
	<u>2</u> Number of On-site Consultations Conducted	0.00	0.00
	<u>3</u> Number of Risk Management Training Sessions Conducted	0.00	0.00
EFFICIENCY MEASURES:			
	<u>1</u> Cost Per Hour of Direct Risk Management Service Provided	1.03	0.00
EXPLANATORY/INPUT MEASURES:			
	<u>1</u> Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
OBJECTS OF EXPENSE:			
	5000 CAPITAL EXPENDITURES	21,000	0
TOTAL, OBJECT OF EXPENSE		\$21,000	\$0
METHOD OF FINANCING:			
	777 Interagency Contracts	21,000	0
TOTAL, METHOD OF FINANCING		\$21,000	\$0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: High Volume Scanner Upgrade			
Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Cost of Workers' Compensation Per Covered State Employee	0.28	0.00
<u>2</u>	Cost of Workers' Compensation Coverage per \$100 State Payroll	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Initial Eligibility Determinations Made	0.00	0.00
<u>2</u>	Number of Medical Bills Processed	0.00	0.00
<u>3</u>	Number of Indemnity Bills Paid	0.00	0.00
EFFICIENCY MEASURES:			
<u>1</u>	Average Cost to Administer Claim	4.68	0.00
OBJECTS OF EXPENSE:			
5000	CAPITAL EXPENDITURES	49,000	0
TOTAL, OBJECT OF EXPENSE		\$49,000	\$0
METHOD OF FINANCING:			
777	Interagency Contracts	49,000	0
TOTAL, METHOD OF FINANCING		\$49,000	\$0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Workstations Upgrade			
Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
OUTPUT MEASURES:			
	<u>1</u> Number of Written Risk Management Program Reviews Conducted	0.00	0.00
	<u>2</u> Number of On-site Consultations Conducted	0.00	0.00
	<u>3</u> Number of Risk Management Training Sessions Conducted	0.00	0.00
EFFICIENCY MEASURES:			
	<u>1</u> Cost Per Hour of Direct Risk Management Service Provided	1.33	1.33
EXPLANATORY/INPUT MEASURES:			
	<u>1</u> Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
OBJECTS OF EXPENSE:			
	2009 OTHER OPERATING EXPENSE	27,000	27,000
TOTAL, OBJECT OF EXPENSE		\$27,000	\$27,000
METHOD OF FINANCING:			
	777 Interagency Contracts	27,000	27,000
TOTAL, METHOD OF FINANCING		\$27,000	\$27,000

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Workstations Upgrade			
Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Cost of Workers' Compensation Per Covered State Employee	0.39	0.39
<u>2</u>	Cost of Workers' Compensation Coverage per \$100 State Payroll	0.00	0.00
OUTPUT MEASURES:			
<u>1</u>	Number of Initial Eligibility Determinations Made	0.00	0.00
<u>2</u>	Number of Medical Bills Processed	0.00	0.00
<u>3</u>	Number of Indemnity Bills Paid	0.00	0.00
EFFICIENCY MEASURES:			
<u>1</u>	Average Cost to Administer Claim	6.59	6.59
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	63,000	63,000
TOTAL, OBJECT OF EXPENSE		\$63,000	\$63,000
METHOD OF FINANCING:			
777	Interagency Contracts	63,000	63,000
TOTAL, METHOD OF FINANCING		\$63,000	\$63,000

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Increased Risk Management and IR Salaries			
Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>1</u>	Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
OUTPUT MEASURES:			
<u>1</u>	Number of Written Risk Management Program Reviews Conducted	0.00	0.00
<u>2</u>	Number of On-site Consultations Conducted	0.00	0.00
<u>3</u>	Number of Risk Management Training Sessions Conducted	0.00	0.00
EFFICIENCY MEASURES:			
<u>1</u>	Cost Per Hour of Direct Risk Management Service Provided	4.61	4.61
EXPLANATORY/INPUT MEASURES:			
<u>1</u>	Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	94,000	94,000
TOTAL, OBJECT OF EXPENSE		\$94,000	\$94,000
METHOD OF FINANCING:			
777	Interagency Contracts	94,000	94,000
TOTAL, METHOD OF FINANCING		\$94,000	\$94,000

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name: Increased Claims Administration Salaries			
Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Cost of Workers' Compensation Per Covered State Employee	1.70	1.70
	<u>2</u> Cost of Workers' Compensation Coverage per \$100 State Payroll	0.00	0.00
OUTPUT MEASURES:			
	<u>1</u> Number of Initial Eligibility Determinations Made	0.00	0.00
	<u>2</u> Number of Medical Bills Processed	0.00	0.00
	<u>3</u> Number of Indemnity Bills Paid	0.00	0.00
EFFICIENCY MEASURES:			
	<u>1</u> Average Cost to Administer Claim	28.66	28.66
OBJECTS OF EXPENSE:			
	1001 SALARIES AND WAGES	300,000	300,000
TOTAL, OBJECT OF EXPENSE		\$300,000	\$300,000
METHOD OF FINANCING:			
	777 Interagency Contracts	300,000	300,000
TOTAL, METHOD OF FINANCING		\$300,000	\$300,000

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2008**
TIME: **10:28:56AM**

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

Code	Description	Excp 2010	Excp 2011
Item Name:		Implementation of a Workers' Compensation Health Care Network	
Allocation to Strategy:		1-2-1	Review Claims, Determine Liability and Pay Eligible Claims
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>1</u> Cost of Workers' Compensation Per Covered State Employee	1.41	1.41
	<u>2</u> Cost of Workers' Compensation Coverage per \$100 State Payroll	0.00	0.00
OUTPUT MEASURES:			
	<u>1</u> Number of Initial Eligibility Determinations Made	0.00	0.00
	<u>2</u> Number of Medical Bills Processed	0.00	0.00
	<u>3</u> Number of Indemnity Bills Paid	0.00	0.00
EFFICIENCY MEASURES:			
	<u>1</u> Average Cost to Administer Claim	23.88	23.88
OBJECTS OF EXPENSE:			
	2001 PROFESSIONAL FEES AND SERVICES	250,000	250,000
TOTAL, OBJECT OF EXPENSE		\$250,000	\$250,000
METHOD OF FINANCING:			
	777 Interagency Contracts	250,000	250,000
TOTAL, METHOD OF FINANCING		\$250,000	\$250,000

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2008
TIME: 10:30:28AM

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 2010	Excp 2011
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EFFICIENCY MEASURES:

1 Cost Per Hour of Direct Risk Management Service Provided	10.20	9.09
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OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	157,242	157,242
2005 TRAVEL	1,000	1,000
2009 OTHER OPERATING EXPENSE	28,500	27,000
5000 CAPITAL EXPENDITURES	21,000	0
Total, Objects of Expense	\$207,742	\$185,242

METHOD OF FINANCING:

777 Interagency Contracts	207,742	185,242
Total, Method of Finance	\$207,742	\$185,242

FULL-TIME EQUIVALENT POSITIONS (FTE):

	1.0	1.0
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Additional Staffing to Fulfill Sunset Requirements
 High Volume Scanner Upgrade
 Workstations Upgrade
 Increased Risk Management and IR Salaries

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2008
TIME: 10:30:41AM

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 2010	Excp 2011
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>1</u> Cost of Workers' Compensation Per Covered State Employee	4.79	4.49
<u>2</u> Cost of Workers' Compensation Coverage per \$100 State Payroll	0.01	0.01

EFFICIENCY MEASURES:

<u>1</u> Average Cost to Administer Claim	80.89	75.78
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OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	471,195	471,195
2001 PROFESSIONAL FEES AND SERVICES	250,000	250,000
2005 TRAVEL	3,000	3,000
2009 OTHER OPERATING EXPENSE	67,500	63,000
5000 CAPITAL EXPENDITURES	49,000	0
Total, Objects of Expense	\$840,695	\$787,195

METHOD OF FINANCING:

777 Interagency Contracts	840,695	787,195
Total, Method of Finance	\$840,695	\$787,195

FULL-TIME EQUIVALENT POSITIONS (FTE):

3.0	3.0
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Additional Staffing to Fulfill Sunset Requirements
 High Volume Scanner Upgrade
 Workstations Upgrade

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2008
TIME: 10:30:41AM

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 2010	Excp 2011
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Increased Claims Administration Salaries

Implementation of a Workers' Compensation Health Care Network

Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2008	Bud 2009	BL 2010	BL 2011
5005 Acquisition of Information Resource Technologies				
<i>2/2 Workstations Upgrade</i>				
OBJECTS OF EXPENSE				
<u>Informational</u>				
2009 OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0
Informational Subtotal OOE, Project 2	\$0	\$0	\$0	\$0
Subtotal OOE, Project 2	\$0	\$0	\$0	\$0
TYPE OF FINANCING				
<u>Informational</u>				
CA 777 Interagency Contracts	\$0	\$0	\$0	\$0
Informational Subtotal TOF, Project 2	\$0	\$0	\$0	\$0
Subtotal TOF, Project 2	\$0	\$0	\$0	\$0
<i>3/3 Scanner Upgrade</i>				
OBJECTS OF EXPENSE				
<u>Capital</u>				
5000 CAPITAL EXPENDITURES	\$0	\$0	\$0	\$0
Capital Subtotal OOE, Project 3	\$0	\$0	\$0	\$0
Subtotal OOE, Project 3	\$0	\$0	\$0	\$0
TYPE OF FINANCING				
<u>Capital</u>				
CA 777 Interagency Contracts	\$0	\$0	\$0	\$0
Capital Subtotal TOF, Project 3	\$0	\$0	\$0	\$0
Subtotal TOF, Project 3	\$0	\$0	\$0	\$0

Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

<i>Project Sequence/Project Id/ Name</i>	Est 2008	Bud 2009	BL 2010	BL 2011
OOE / TOF / MOF CODE				
Capital Subtotal, Category 5005	\$0	\$0	\$0	\$0
Informational Subtotal, Category 5005	\$0	\$0	\$0	\$0
Total, Category 5005	\$0	\$0	\$0	\$0
AGENCY TOTAL -CAPITAL	\$0	\$0	\$0	\$0
AGENCY TOTAL -INFORMATIONAL	\$0	\$0	\$0	\$0
AGENCY TOTAL	\$0	\$0	\$0	\$0
METHOD OF FINANCING:				
<u>Capital</u>				
777 Interagency Contracts	\$0	\$0	\$0	\$0
Total, Method of Financing-Capital	\$0	\$0	\$0	\$0
<u>Informational</u>				
777 Interagency Contracts	\$0	\$0	\$0	\$0
Total, Method of Financing-Informational	\$0	\$0	\$0	\$0
Total, Method of Financing	\$0	\$0	\$0	\$0
TYPE OF FINANCING:				
<u>Capital</u>				
CA CURRENT APPROPRIATIONS	\$0	\$0	\$0	\$0
Total, Type of Financing-Capital	\$0	\$0	\$0	\$0
<u>Informational</u>				
CA CURRENT APPROPRIATIONS	\$0	\$0	\$0	\$0
Total, Type of Financing-Informational	\$0	\$0	\$0	\$0
Total,Type of Financing	\$0	\$0	\$0	\$0

CAPITAL BUDGET PROJECT SCHEDULE - EXCEPTIONAL
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME : 3:31:24PM
 PAGE: 1 of 1

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

Category Code / Category Name <i>Project Number / Name</i> OOE / TOF / MOF CODE	Excp 2010	Excp 2011
5005 Acquisition of Information Resource Technologies		
<u>2 Workstations Upgrade</u>		
Objects of Expense		
2009 OTHER OPERATING EXPENSE	90,000	90,000
Subtotal OOE, Project 2	90,000	90,000
Type of Financing		
CA 777 Interagency Contracts	90,000	90,000
Subtotal TOF, Project 2	90,000	90,000
<u>3 Scanner Upgrade</u>		
Objects of Expense		
5000 CAPITAL EXPENDITURES	70,000	0
Subtotal OOE, Project 3	70,000	0
Type of Financing		
CA 777 Interagency Contracts	70,000	0
Subtotal TOF, Project 3	70,000	0
Subtotal Category 5005	160,000	90,000
AGENCY TOTAL	160,000	90,000
METHOD OF FINANCING:		
777 Interagency Contracts	160,000	90,000
Total, Method of Financing	160,000	90,000
TYPE OF FINANCING:		
CA CURRENT APPROPRIATIONS	160,000	90,000
Total, Type of Financing	160,000	90,000

5.B. CAPITAL BUDGET PROJECT INFORMATION
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:31:52PM**

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

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

Number of Units / Average Unit Cost	\$1,500.00		
Estimated Completion Date	12/31/2010		
Additional Capital Expenditure Amounts Required		2012	2013
		0	0
Type of Financing	CA	CURRENT APPROPRIATIONS	
Projected Useful Life	4 Years		
Estimated/Actual Project Cost	\$ 180,000		
Length of Financing/ Lease Period	N/A		

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2010	2011	2012	2013	Total over project life
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

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

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

Beneficiaries: Injured workers, medical providers and SORM employees.

Frequency of Use and External Factors Affecting Use:

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

5.B. CAPITAL BUDGET PROJECT INFORMATION
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:31:52PM**

Agency Code:	479	Agency name:	State Office of Risk Management
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	3	Project Name:	Scanner Upgrade

PROJECT DESCRIPTION

General Information

SORM intends to purchase a robust scanner that will handle the required millions of scans without the current frequent interruption due to breakdowns. SORM is moving towards a paperless office as much as feasible. To this end, the office scans all incoming documents and posts to Filenet/Panagon server, where it is stored and from which it is disseminated appropriately. Additionally, the office scans documents that are currently at offsite storage.

Number of Units / Average Unit Cost \$70,000
Estimated Completion Date 12/31/2008

Additional Capital Expenditure Amounts Required	2012	2013
	0	0

Type of Financing CA CURRENT APPROPRIATIONS
Projected Useful Life 6 Years
Estimated/Actual Project Cost \$ 70,000
Length of Financing/ Lease Period N/A

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>	2010	2011	2012	2013	Total over project life
	0	0	0	0	0

<u>REVENUE GENERATION / COST SAVINGS</u>		
<u>REVENUE COST FLAG</u>	<u>MOF_CODE</u>	<u>AVERAGE_AMOUNT</u>

Explanation: We expect no savings or earnings from the scanner. There has been and will be lost productivity, which will continue until the new scanner is in place.

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 scans millions of documents annually.

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

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2008	Bud 2009	BL 2010	BL 2011
5005 Acquisition of Information Resource Technologies					
<i>2/2 Workstations Upgrade</i>					
Informational	1-1-1 RISK MANAGEMENT PROGRAM	0	0	\$0	\$0
Informational	1-2-1 PAY WORKERS' COMPENSATION	0	0	0	0
TOTAL, PROJECT		\$0	\$0	\$0	\$0
<i>3/3 Scanner Upgrade</i>					
Capital	1-1-1 RISK MANAGEMENT PROGRAM	0	0	0	0
Capital	1-2-1 PAY WORKERS' COMPENSATION	0	0	0	0
TOTAL, PROJECT		\$0	\$0	\$0	\$0
TOTAL CAPITAL, ALL PROJECTS		\$0	\$0	\$0	\$0
TOTAL INFORMATIONAL, ALL PROJECTS		\$0	\$0	\$0	\$0
TOTAL, ALL PROJECTS		\$0	\$0	\$0	\$0

CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT - EXCEPTIONAL

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
TIME: **3:32:34PM**
PAGE: **1 of 1**

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

Category Code/Name

Project Number/Name

Goal/Obj/Str	Strategy Name	Excp 2010	Excp 2011
5005 Acquisition of Information Resource Technologies			
2	Workstations Upgrade		
1 1 1	RISK MANAGEMENT PROGRAM	27,000	27,000
1 2 1	PAY WORKERS' COMPENSATION	63,000	63,000
	TOTAL, PROJECT	90,000	90,000
<hr/>			
3	Scanner Upgrade		
1 1 1	RISK MANAGEMENT PROGRAM	21,000	0
1 2 1	PAY WORKERS' COMPENSATION	49,000	0
	TOTAL, PROJECT	70,000	0
	TOTAL, ALL PROJECTS	160,000	90,000

5.D. CAPITAL BUDGET OPERATING AND MAINTENANCE EXPENSES

81st Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2008

TIME: 10:31:37AM

Agency Code: **479** Agency name: **State Office of Risk Management**
 Project Number: **2** Project name: **Workstations Upgrade**

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2010	2011	2012	2013
OBJECTS OF EXPENSE:				
2009 OTHER OPERATING EXPENSE	\$90,000	\$90,000	\$0	\$0
TOTAL, OBJECT OF EXPENSE	\$90,000	\$90,000	\$0	\$0
METHOD OF FINANCING:				
777 Interagency Contracts	\$90,000	\$90,000	\$0	\$0
TOTAL, METHOD OF FINANCING	\$90,000	\$90,000	\$0	\$0
FULL TIME EQUIVALENT POSITIONS:	0.0	0.0	0.0	0.0
OPERATING COSTS DESCRIPTION AND JUSTIFICATION:				

The refresh costs \$180,000 overall. All of SORM's PC's will be out of warrantee and to maintain full efficiency must be replaced.

5.D. CAPITAL BUDGET OPERATING AND MAINTENANCE EXPENSES

81st Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2008

TIME: 10:31:48AM

Agency Code: **479** Agency name: **State Office of Risk Management**
 Project Number: **3** Project name: **Scanner Upgrade**

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2010	2011	2012	2013
OBJECTS OF EXPENSE:				
5000 CAPITAL EXPENDITURES	\$70,000	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE	\$70,000	\$0	\$0	\$0
METHOD OF FINANCING:				
777 Interagency Contracts	\$70,000	\$0	\$0	\$0
TOTAL, METHOD OF FINANCING	\$70,000	\$0	\$0	\$0
FULL TIME EQUIVALENT POSITIONS:	0.0	0.0	0.0	0.0
OPERATING COSTS DESCRIPTION AND JUSTIFICATION:				

The replacement of outdated scanners with one robust scanner costs \$70,000.

6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/21/2008**
Time: **3:33:30PM**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2006 - 2007 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	HUB Expenditures FY 2006			Total Expenditures FY 2006	HUB Expenditures FY 2007			Total Expenditures FY 2007
		% Goal	% Actual	Actual \$		% Goal	% Actual	Actual \$	
11.9%	Heavy Construction	0.0 %	0.0%	\$0	\$0	0.0 %	0.0%	\$0	\$0
26.1%	Building Construction	0.0 %	0.0%	\$0	\$0	0.0 %	0.0%	\$0	\$0
57.2%	Special Trade Construction	0.0 %	0.0%	\$0	\$0	0.0 %	0.0%	\$0	\$0
20.0%	Professional Services	100.0 %	100.0%	\$10,548	\$10,548	100.0 %	100.0%	\$13,225	\$13,225
33.0%	Other Services	2.6 %	2.6%	\$52,340	\$2,009,370	4.0 %	4.0%	\$76,042	\$1,888,355
12.6%	Commodities	80.2 %	80.2%	\$50,344	\$62,750	89.3 %	89.4%	\$244,178	\$273,262
	Total Expenditures		5.4%	\$113,232	\$2,082,668		15.3%	\$333,445	\$2,174,842

B. Assessment of Fiscal Year 2006 - 2007 Efforts to Meet HUB Procurement Goals

Attainment:

The agency exceeded two of three, or 60% of the applicable statewide HUB procurement goals in FY 2006. The agency exceeded two of the three or 60% applicable statewide HUB procurement goals in FY 2007.

Applicability:

The Heavy Construction, Building Construction, or Special Trades categories were not applicable to agency operations in either fiscal year 2006 or 2007. However, during fiscal year 2006 and 2007, there were minor purchases in the Professional Services category.

Factors Affecting Attainment:

Other Services

SORM's Cost Containment, Director's and Officer's Insurance and Property Insurance contracts are the largest contracts that the agency holds, and they were awarded to Non HUB vendors. There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

SORM has been authorized by the Legislature to procure statewide insurance contracts that state agencies and universities may utilize in order to save taxpayer dollars. This has presented a challenge to the insurance industry as their business practices do not readily lend themselves to subcontracting opportunities. The purchase of an insurance policy is an intangible product, unlike purchasing a commodity or a service. Most policy services are conventionally provided internally in the insurance industry. This, coupled with the scope of exposures presented by the State of Texas, does limit the number of available markets and thus subcontracting opportunities.

"Good-Faith" Efforts:

SORM attained an overall HUB percentage of 5.43% in FY06 and 15.43% in FY07. SORMs' written purchasing procedures require solicitation of HUB vendors and include HUB Subcontracting Plans for purchases over \$100,000. Additionally, SORM made the following good faith efforts beyond the requirements of 1 TAC Section §20.13(c):

Outreach: Distributed literature and bid opportunities at HUB outreach events.

Subcontracting: Presented HUB Subcontracting Plan info at Pre-Proposal conferences to educate insurance industry representatives about State of Tx HUB subcontracting requirements.

6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE

81st Regular Session, Agency Submission, Version 1

Date: **8/21/2008**

Time: **3:33:38PM**

Automated Budget and Evaluation System of Texas (ABEST)

In-Reach: Provided a "Best Practices HUB Subcontracting Highlights" training to all SORM Program Managers, Contract Managers, Executive Director and General Counsel focusing on contracts of \$100,000 or more and best practices to enable the agency to meet all requirements of TGC §2161 and TAC Rule §20.14.

Other: SORM has a MOU to receive HUB coordination services through the OAG's HUB Program coordinator and the OAG's Purchasing Department to comply with HUB requirements.

6.I. 10 Percent Biennial Base Reduction Options Schedule

Approved Reduction Amount

\$716,040

Agency Code: 479		Agency Name: State Office of Risk Management								
Rank	Reduction Item		Biennial Application of 10% Percent Reduction				FTE Reductions (FY 2010-11 Base Request Compared to Budgeted 2009)		Revenue Impact? Y/N	Cumulative GR-related reduction as a % of Approved Base
	Strat	Name	GR	GR-Dedicated	Federal	Other	All Funds	FY 08		
1	1-2-1	Workers' Comp. Claims Administration	716,040				\$ 716,040	9	9	10.0%
2							\$ -			10.0%
3							\$ -			10.0%
4							\$ -			10.0%
5							\$ -			10.0%
6							\$ -			10.0%
7							\$ -			10.0%
8							\$ -			10.0%
9							\$ -			10.0%
10							\$ -			10.0%
11							\$ -			10.0%
12							\$ -			10.0%
Agency Biennial Total			\$ 716,040	\$ -	\$ -	\$ -	\$ 716,040	9.0	9.0	10.0%
Agency Biennial Total (GR + GR-D)				\$ 716,040						

Rank / Name
Explanation of Impact to Programs and Revenue Collections

1 Workers' Comp. Claims Administration

The agency will be required to eliminate six claim adjusters, one medical bill reviewer, one dispute resolution specialist, and one accounting technician if required to meet the GR reduction. By lowering caseloads and increasing scrutiny of medical bills the agency reduced workers' compensation claim costs by over \$25 million each year compared to fiscal 2003. The Office remains administratively attached to the Office of the Attorney General, only the Workers' Compensation Administration strategy receives GR funding, and virtually all of the agency's travel is statutorily mandated; therefore, FTEs and salaries are the only budget line items available for the necessary adjustments. The Office expects that claim costs would increase by several million dollars a year within two or three years following the staff reductions as a result of the loss of available resources for scrutiny and administration of claims.

7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS

81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME : 3:33:58PM

Agency code: **479**

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

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs					
OBJECTS OF EXPENSE:					
1001 SALARIES AND WAGES	\$ 170,910	\$ 173,378	\$ 176,845	\$ 176,845	\$ 176,845
1002 OTHER PERSONNEL COSTS	7,687	5,507	5,507	5,507	5,507
2001 PROFESSIONAL FEES AND SERVICES	565	320	299	299	299
2003 CONSUMABLE SUPPLIES	933	843	771	771	771
2004 UTILITIES	160	92	71	71	71
2005 TRAVEL	4,491	6,630	5,874	5,874	5,874
2006 RENT - BUILDING	14	15	14	14	14
2007 RENT - MACHINE AND OTHER	332	580	643	643	643
2009 OTHER OPERATING EXPENSE	10,643	9,139	9,007	9,007	9,007
5000 CAPITAL EXPENDITURES	0	426	0	0	0
Total, Objects of Expense	\$ 195,735	\$ 196,930	\$ 199,031	\$ 199,031	\$ 199,031
METHOD OF FINANCING:					
777 Interagency Contracts	195,735	196,930	199,031	199,031	199,031
Total, Method of Financing	\$ 195,735	\$ 196,930	\$ 199,031	\$ 199,031	\$ 199,031
FULL-TIME-EQUIVALENT POSITIONS (FTE):	2.3	2.2	2.3	2.2	2.3

DESCRIPTION

The administrative and support costs in this strategy are related to one-half of the Executive Director, CFO, Administration Director, and Governmental Relations positions in addition to one-fourth of the General Counsel. The salaries and other personnel costs are the expenses for these positions and all other objects of expense are calculated on a pro-rata basis for the strategy.

7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS

81st Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008

TIME : 3:34:07PM

Agency code: 479

Agency name: State Office of Risk Management

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1-2-1	Review Claims, Determine Liability and Pay Eligible Claims				
OBJECTS OF EXPENSE:					
1001 SALARIES AND WAGES	\$ 170,910	\$ 173,378	\$ 176,845	\$ 176,845	\$ 176,845
1002 OTHER PERSONNEL COSTS	4,407	33,747	4,747	4,747	4,747
2001 PROFESSIONAL FEES AND SERVICES	60,928	51,916	62,350	62,350	62,350
2003 CONSUMABLE SUPPLIES	1,303	1,124	983	983	983
2004 UTILITIES	107	95	84	84	84
2005 TRAVEL	1,886	1,591	1,419	1,419	1,419
2006 RENT - BUILDING	208	65	18	18	18
2007 RENT - MACHINE AND OTHER	457	516	543	543	543
2009 OTHER OPERATING EXPENSE	10,482	10,405	8,513	8,513	8,513
5000 CAPITAL EXPENDITURES	0	380	0	0	0
Total, Objects of Expense	\$ 250,688	\$ 273,217	\$ 255,502	\$ 255,502	\$ 255,502

METHOD OF FINANCING:

1 General Revenue Fund	250,688	273,217	255,502	255,502	255,502
Total, Method of Financing	\$ 250,688	\$ 273,217	\$ 255,502	\$ 255,502	\$ 255,502

FULL-TIME-EQUIVALENT POSITIONS (FTE):

	2.2	2.3	2.2	2.3	2.2
--	-----	-----	-----	-----	-----

DESCRIPTION

The administrative and support costs in this strategy are related to one-half of the Executive Director, CFO, Administration Director, and Governmental Relations positions in addition to one-fourth of the General Counsel. The salaries and other personnel costs are the expenses for these positions and all other objects of expense are calculated on a pro-rata basis for the strategy.

7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME : 3:34:07PM

Agency code: 479

Agency name: State Office of Risk Management

	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
GRAND TOTALS					
Objects of Expense					
1001 SALARIES AND WAGES	\$341,820	\$346,756	\$353,690	\$353,690	\$353,690
1002 OTHER PERSONNEL COSTS	\$12,094	\$39,254	\$10,254	\$10,254	\$10,254
2001 PROFESSIONAL FEES AND SERVICES	\$61,493	\$52,236	\$62,649	\$62,649	\$62,649
2003 CONSUMABLE SUPPLIES	\$2,236	\$1,967	\$1,754	\$1,754	\$1,754
2004 UTILITIES	\$267	\$187	\$155	\$155	\$155
2005 TRAVEL	\$6,377	\$8,221	\$7,293	\$7,293	\$7,293
2006 RENT - BUILDING	\$222	\$80	\$32	\$32	\$32
2007 RENT - MACHINE AND OTHER	\$789	\$1,096	\$1,186	\$1,186	\$1,186
2009 OTHER OPERATING EXPENSE	\$21,125	\$19,544	\$17,520	\$17,520	\$17,520
5000 CAPITAL EXPENDITURES	\$0	\$806	\$0	\$0	\$0
Total, Objects of Expense	\$446,423	\$470,147	\$454,533	\$454,533	\$454,533
Method of Financing					
1 General Revenue Fund	\$250,688	\$273,217	\$255,502	\$255,502	\$255,502
777 Interagency Contracts	\$195,735	\$196,930	\$199,031	\$199,031	\$199,031
Total, Method of Financing	\$446,423	\$470,147	\$454,533	\$454,533	\$454,533
Full-Time-Equivalent Positions (FTE)	4.5	4.5	4.5	4.5	4.5

WORKERS' COMPENSATION PAYMENTS

2.A. SUMMARY OF BASE REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:09:54PM**

Agency code: **40A** Agency name: **Workers' Compensation Payments**

Goal / Objective / STRATEGY	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
1 Workers' Compensation Payments					
1 Workers' Compensation Payments					
1 WORKERS' COMPENSATION PAYMENTS	42,298,154	44,786,264	46,067,750	48,567,750	49,567,750
TOTAL, GOAL 1	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
TOTAL, AGENCY STRATEGY REQUEST	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
METHOD OF FINANCING:					
Other Funds:					
777 Interagency Contracts	41,614,033	44,000,000	45,500,000	48,000,000	49,000,000
8052 Subrogation Receipts	684,121	786,264	567,750	567,750	567,750
SUBTOTAL	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
TOTAL, METHOD OF FINANCING	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750

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

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:10:57PM**

Agency code: **40A** Agency name: **Workers' Compensation Payments**

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>OTHER FUNDS</u>					
<u>777</u> Interagency Contracts					
<i>REGULAR APPROPRIATIONS</i>					
H.B. 1, 80th Leg., R.S. Art I, Page I-81 (2008-09 GAA)	\$0	\$45,307,250	\$45,307,250	\$48,000,000	\$49,000,000
S.B. 1, 79th Leg., R.S. Art I, Page I-78 (2006-07 GAA)	\$62,182,800	\$0	\$0	\$0	\$0
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 15.02 (h) Pg IX-62 AY08 to AY09 (2008-09 GAA)	\$0	\$(1,000,000)	\$1,000,000	\$0	\$0
Art IX, Sec 15.02 Payments to SORM-Unexercised Authority (2008-09 GAA)	\$0	\$(1,505,614)	\$(807,250)	\$0	\$0
Art IX, Sec 6.30 Payments to SORM-Unexercised Authority (2006-07 GAA)	\$(18,628,225)	\$0	\$0	\$0	\$0
Art IX, Sec 6.30(h), SORM Refund (2006-07 GAA)-- for use by SORM only	\$(3,000,000)	\$0	\$0	\$0	\$0
Art IX, Sec 6.30, (h) Pg IX-44 AY06 to AY07 (2006-07 GAA)	\$2,257,822	\$0	\$0	\$0	\$0
Art IX, Sec 6.30, (h) Pg IX-44 AY07 to AY08 (2006-07 GAA)	\$(1,198,364)	\$1,198,364	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:11:05PM**

Agency code: 40A		Agency name: Workers' Compensation Payments			
METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<u>OTHER FUNDS</u>					
TOTAL, Interagency Contracts	\$41,614,033	\$44,000,000	\$45,500,000	\$48,000,000	\$49,000,000
<u>8052</u> Subrogation Receipts					
<i>REGULAR APPROPRIATIONS</i>					
H.B. 1, 80th Leg., R.S. Art I, Page I-81 (2008-09 GAA)	\$0	\$567,750	\$567,750	\$567,750	\$567,750
S.B. 1, 79th Leg., R.S. Art I, Page I-78 (2006-07 GAA)	\$550,000	\$0	\$0	\$0	\$0
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 15.02, (g) Payments to SORM (2008-09 GAA)	\$0	\$218,514	\$0	\$0	\$0
Art IX, Sec 6.30 (g) Payments to SORM (2006-07 GAA)	\$134,121	\$0	\$0	\$0	\$0
TOTAL, Subrogation Receipts	\$684,121	\$786,264	\$567,750	\$567,750	\$567,750
TOTAL, ALL OTHER FUNDS	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
GRAND TOTAL	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
TIME: **3:11:05PM**

Agency code: **40A**

Agency name: **Workers' Compensation Payments**

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
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FULL-TIME-EQUIVALENT POSITIONS

TOTAL, ADJUSTED FTES

**NUMBER OF 100% FEDERALLY FUNDED
FTEs**

0.0

0.0

0.0

0.0

0.0

2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST

81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME : 3:13:02PM

Agency code: 40A

Agency name: **Workers' Compensation Payments**

Priority	Item	2010			2011			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Maintain Sufficient Claim Pmt Auth		\$10,000,000		\$10,000,000				\$20,000,000
Total, Exceptional Items Request			\$10,000,000		\$10,000,000				\$20,000,000

Method of Financing

General Revenue									
General Revenue - Dedicated									
Federal Funds									
Other Funds		10,000,000		10,000,000					20,000,000
		\$0	\$10,000,000		\$0	\$10,000,000		\$0	\$20,000,000

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs 0.0 0.0

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/21/2008**
 TIME : **3:13:25PM**

Agency code: 40A Agency name: Workers' Compensation Payments							
Goal/Objective/STRATEGY		Base 2010	Base 2011	Exceptional 2010	Exceptional 2011	Total Request 2010	Total Request 2011
1 Workers' Compensation Payments							
1 <i>Workers' Compensation Payments</i>							
1 WORKERS' COMPENSATION PAYMENTS		\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750
TOTAL, GOAL 1		\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750
TOTAL, AGENCY STRATEGY REQUEST		\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST							
GRAND TOTAL, AGENCY REQUEST		\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/21/2008**
 TIME : **3:13:33PM**

Agency code: **40A** Agency name: **Workers' Compensation Payments**

Goal/Objective/STRATEGY	Base 2010	Base 2011	Exceptional 2010	Exceptional 2011	Total Request 2010	Total Request 2011
Other Funds:						
777 Interagency Contracts	\$48,000,000	\$49,000,000	\$10,000,000	\$10,000,000	\$58,000,000	\$59,000,000
8052 Subrogation Receipts	567,750	567,750	0	0	\$567,750	\$567,750
	\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750
TOTAL, METHOD OF FINANCING	\$48,567,750	\$49,567,750	\$10,000,000	\$10,000,000	\$58,567,750	\$59,567,750

FULL TIME EQUIVALENT POSITIONS

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:14:15PM

Agency code: **40A** Agency name: **Workers' Compensation Payments**

GOAL: 1 Workers' Compensation Payments Statewide Goal/Benchmark: 8 0
 OBJECTIVE: 1 Workers' Compensation Payments Service Categories:
 STRATEGY: 1 Workers' Compensation Payments Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
TOTAL, OBJECT OF EXPENSE		\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
Method of Financing:						
777	Interagency Contracts	\$41,614,033	\$44,000,000	\$45,500,000	\$48,000,000	\$49,000,000
8052	Subrogation Receipts	\$684,121	\$786,264	\$567,750	\$567,750	\$567,750
SUBTOTAL, MOF (OTHER FUNDS)		\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$48,567,750	\$49,567,750
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750

FULL TIME EQUIVALENT POSITIONS:

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 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 injury filed on behalf of state 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:

3.A. STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
 TIME: 3:14:23PM

Agency code: **40A** Agency name: **Workers' Compensation Payments**

GOAL:	1	Workers' Compensation Payments	Statewide Goal/Benchmark:	8	0
OBJECTIVE:	1	Workers' Compensation Payments	Service Categories:		
STRATEGY:	1	Workers' Compensation Payments	Service:	05	Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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Costs of the State's self-insured workers' compensation program have been reduced by more than \$25 million since FY03. The decrease is due to greater accountability on the part of agencies and improved controls in SORM's claims processing. The savings noted are sufficient to fund the agency's "Pay Workers' Compensation strategy" costs for 6 years, if those costs were not GR funded. . There is currently no transfer authority between these appropriations.

Future costs in this strategy are projected to decrease at a slower rate and may increase in response to inflation. Additional cost drivers may include additional costs related to HB7 Workers' Compensation Healthcare Networks, if implemented. An immediate increase to the State's cost will be the administrative cost of contracted networks, though performance-based monitoring and treatment guidelines are anticipated to result in improved outcomes. Overall cost reductions may be seen in subsequent years after implementation.

Changes in law and orders significantly affect this strategy. Changes in the guidelines, compensation rates, and legal determinations made by the DWC/TDI directly affect benefits. Factors which affect the number/cost of injuries include the number of employees covered, occupational risk levels, safety programs, fraud rates, and staffing levels.

The most immediate factor affecting costs would be a reduction in resources in the "Pay Workers' Compensation" appropriation as effective oversight is the key to controlling costs in this strategy.

3.A. STRATEGY REQUEST
81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
TIME: 3:14:23PM

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
METHODS OF FINANCE (INCLUDING RIDERS):				\$48,567,750	\$49,567,750
METHODS OF FINANCE (EXCLUDING RIDERS):	\$42,298,154	\$44,786,264	\$46,067,750	\$48,567,750	\$49,567,750
FULL TIME EQUIVALENT POSITIONS:					

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
 TIME: **3:15:20PM**

Agency code: **40A**

Agency name:

Workers' Compensation Payments

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2010</u>	<u>Excp 2011</u>
	Item Name: Maintain Sufficient Claim Payment Authority		
	Item Priority: 1		
	Includes Funding for the Following Strategy or Strategies: 01-01-01 Workers' Compensation Payments		
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	10,000,000	10,000,000
	TOTAL, OBJECT OF EXPENSE	<u>10,000,000</u>	<u>10,000,000</u>
METHOD OF FINANCING:			
777	Interagency Contracts	10,000,000	10,000,000
	TOTAL, METHOD OF FINANCING	<u>10,000,000</u>	<u>10,000,000</u>

DESCRIPTION / JUSTIFICATION:

The General Appropriations Act sets the estimated total available funds for paying claims , currently at approximately \$45.8MM. This estimate fund total has been reduced substantially as expenditures have fallen due to reductions in injuries and implementation of additional efficiencies . SORM is unclear whether the authority granted to the Board to set assessment totals pursuant to Chapter 412, Texas Labor Code, and Article IX, GAA, would result in confusion were the assessment total to exceed the GAA estimate. Because workers' compensation benefits are mandated by law, and the low amount of the estimate could result in a situation in which SORM may face an interpretation that it had no fiscal authority to collect adequate funding for the payment of statutorily - required benefits, it may be beneficial to increase the estimate to provide for unanticipated or catastrophic losses. The requested exceptional item is not for an additional appropriation and increases authority only, in the case of drastic increases in costs of benefits due to external factors, and would not be utilized unless required to fulfill statutory payments. Some resolution of the issue is necessary pending legislative review of alternative catastrophic funding options, as required by SB908, 80th Legislature.

EXTERNAL/INTERNAL FACTORS:

Statutory mandates; regulatory requirements; catastrophic event(s); inadequate borrowing authority.

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/21/2008**
TIME: **3:16:03PM**

Agency code: **40A** Agency name: **Workers' Compensation Payments**

Code	Description	Excp 2010	Excp 2011
Item Name: Maintain Sufficient Claim Payment Authority			
Allocation to Strategy: 1-1-1 Workers' Compensation Payments			
OBJECTS OF EXPENSE:			
	2009 OTHER OPERATING EXPENSE	10,000,000	10,000,000
TOTAL, OBJECT OF EXPENSE		\$10,000,000	\$10,000,000
METHOD OF FINANCING:			
	777 Interagency Contracts	10,000,000	10,000,000
TOTAL, METHOD OF FINANCING		\$10,000,000	\$10,000,000

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 81st Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/21/2008
TIME: 3:16:39PM

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: 8 - 0
 Service Categories:
 Service: 05 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2010	Excp 2011
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OBJECTS OF EXPENSE:

2009 OTHER OPERATING EXPENSE	10,000,000	10,000,000
Total, Objects of Expense	\$10,000,000	\$10,000,000

METHOD OF FINANCING:

777 Interagency Contracts	10,000,000	10,000,000
Total, Method of Finance	\$10,000,000	\$10,000,000

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Maintain Sufficient Claim Payment Authority

3.B. Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office of Risk Management (Workers' Compensation Payments)	Prepared By: Stuart B. Cargile	Date: 08/20/08	Request Level: Base
Current Rider Number	Page Number in 2006-07 GAA	Proposed Rider Language		
1	I-75	<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.</p> <p><i>No change proposed.</i></p>		
2	I-75	<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 45 days after the close of each fiscal year.</p> <p><i>No change proposed.</i></p>		
3	I-75	<p>Reporting of Workers' Compensation Claims.</p> <p>For the purpose of reporting expenditures to the Uniform Statewide Accounting System (USAS), it is the intent of the Legislature that the State Office of Risk Management (SORM) 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, the State Office of Risk Management 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 appropriation year based on the date on which the injury occurred and the medical or related service was performed.</p> <p><i>No change proposed.</i></p>		

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

4	I-75	<p>Sunset Contingency.</p> <p>Funds appropriated above for Workers' Compensation Payments are made contingent on the continuation of the State Office of Risk Management by the Eightieth Legislature. In the event that the State Office of Risk Management is not continued, the funds appropriated above are hereby appropriated to the successor agency designated to pay workers' compensation payments.</p> <p><i>This rider is unnecessary for the 2010/2011 biennium.</i></p>
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