



Legislative Appropriations Request for Fiscal Years 2014 and 2015

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

by

STATE OFFICE of RISK MANAGEMENT

August 23, 2012

TABLE OF CONTENTS

| | |
|---|----|
| Letter of Certification | 3 |
| Administrator's Statement | 5 |
| Organizational Chart | 11 |
| Descriptions of Functional Units | 12 |
| Summary of Base Request by Strategy | 15 |
| Summary of Base Request by Method of Finance..... | 17 |
| Summary of Base Request by Object of Expense | 23 |
| Summary of Base Request Objective Outcomes | 24 |
| Summary of Exceptional Item Request..... | 25 |
| Summary of Total Request by Strategy | 26 |
| Summary of Total Request Objective Outcomes..... | 28 |
| Strategy Request | 29 |
| Rider Revisions and Additions Request | 39 |
| Exceptional Item Request Schedule..... | 47 |
| Exceptional Items Strategy Allocation Schedule..... | 52 |
| Exceptional Items Strategy Request..... | 62 |
| Capital Budget Project Schedule | 64 |
| Capital Budget Project Information | 70 |
| Capital Budget Allocation to Strategies..... | 73 |
| Historically Underutilized Business Supporting Schedule | 75 |
| Direct Administrative and Support Costs | 76 |



CERTIFICATE

Agency Name State Office of Risk Management

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

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the GOBPP will be notified in writing in accordance with Article IX, Section 7.01 (2012-13 GAA).

Chief Executive Office or Presiding Judge


Signature

Jonathan D. Bow
Printed Name

Executive Director
Title

August 24, 2012
Date

Board or Commission Chair

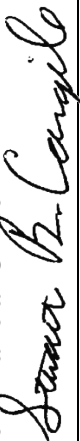

Signature

Stephanie Simmons
Printed Name

Chair, Board of Directors
Title

August 24, 2012
Date

Chief Financial Officer


Signature

Stuart B. Cargile
Printed Name

Director of Fund Accounting
Title

August 24, 2012
Date

Administrator's Statement

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

The primary focus of this legislative appropriation request for the biennium beginning September 1, 2013, is to protect safety and health of the State's employees and assets by implementing risk-based approaches for identifying exposures and emphasizing strategies intended to reduce financial and performance losses at client agencies, while continuing to support the fiscal controls that have reduced the State's costs by over \$25 million per year.

AGENCY BACKGROUND

The Office was established in 1997 by the 75th Legislature. The Office is mandated by Chapter 412, Texas Labor Code, to operate as a full service risk manager and insurance manager for 137 state entities and 121 Community Service and Supervision Departments across the State. The Office administers insurance services purchased by state agencies, including the government employees' workers' compensation insurance program and the state risk management programs.

The Office provides services to all state agencies subject to Chapters 412 and 501 of the Texas Labor Code. Texas A&M and University of Texas systems, and the Texas Department of Transportation are not subject to these provisions as they operate separate workers' compensation and risk management programs pursuant to Texas Labor Code Chapters 502, 503, and 505, respectively.

AGENCY FUNDING SOURCES

The Office receives no General Revenue and is funded solely by Interagency Contracts. Annual assessments, similar to premiums, are determined by a formula based on historic FTE, payroll, claims, and claims cost data. The shift to IAC funding in 2009 has had the effect of removing the cost of the Office's operations from

General Revenue and shifting those costs proportionately to the agencies that utilize Office services. Costs passed on to state agencies have been offset by the reductions in claims losses resulting from the Office's financial controls.

EXCEPTIONAL ITEMS

The State Office of Risk Management is seeking five exceptional items. In order of priority:

Claims Management System Redesign (CCI): The Office is currently utilizing a proprietary program created more than twenty years ago in, what is now, an obsolete computer programming language. This mainframe program is the repository of all workers' compensation claim information, including payments. The system is outdated and limits the Office's ability to implement SAO recommendations and new, more complex, regulatory requirements.

Workstations Upgrade: Office desktop computers were last replaced in 2010 and had a three year warranty. If approved, the Office anticipates replacing the desktop computers in 2015. The Office relies heavily on technology to efficiently and effectively provide services to the State of Texas. These desktop computers are vital to operations, and the replacement is consistent with DIR recommendations.

Increase in Board Authority to Compensate Executive Director: The Executive Director position is currently classified as Group 3, with a range of \$92,600 to \$145,600. The Board's current authority is limited by the GAA to \$104,500, significantly below the position's market average. The Board is seeking an increase in its authority to the salary range cap of \$145,600 to attract and/or retain a qualified person in future to serve as Executive Director of the Office, consistent with its duties under Chapter 412, Texas Labor Code.

Voice Interactive Response System: The Office is currently utilizing an antiquated telephone system that is more than twenty years old. The current system limits the Office's ability to provide efficient customer service to the State's injured employees and other clients. The requested funding is for software and licensing of the voice interactive response system.

Increased FTE Cap: Taking into account documented turnover rates, an increase in the FTE cap from 117.6 to 121 is requested to allow the Office to functionally operate at approximately 118 FTEs without exceeding the cap. The majority of staff are highly skilled professional positions, requiring several weeks to replace. No additional funding is requested for this exceptional item.

AGENCY ADMINISTRATION

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

Stephanie Simmons, Chairperson

Stafford, Texas

Term to expire February 1, 2015

John Youngblood

Cameron, Texas

Term to expire February 1, 2013

Rosemary Gammon

Plano, Texas

Term to expire February 1, 2015

Tomas Gonzalez

Irving, Texas

Term to expire February 1, 2017

Lloyd M. Garland, M.D.

Lubbock, Texas

Term to expire February 1, 2013

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

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

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

| Fiscal Year | Number of First Reports of Injury | Medical Benefits Paid | Indemnity Benefits Paid | Number of Injuries per 100 FTEs |
|----------------|---|--------------------------|----------------------------|---------------------------------------|
| 2011 | 3 | \$3,358 | \$0 | 1.67 |
| 2012 | 1 | \$928 | \$0 | 0.87 |
| Biennium Total | 4 | \$4,286 | \$0 | 1.28 |

Conclusion

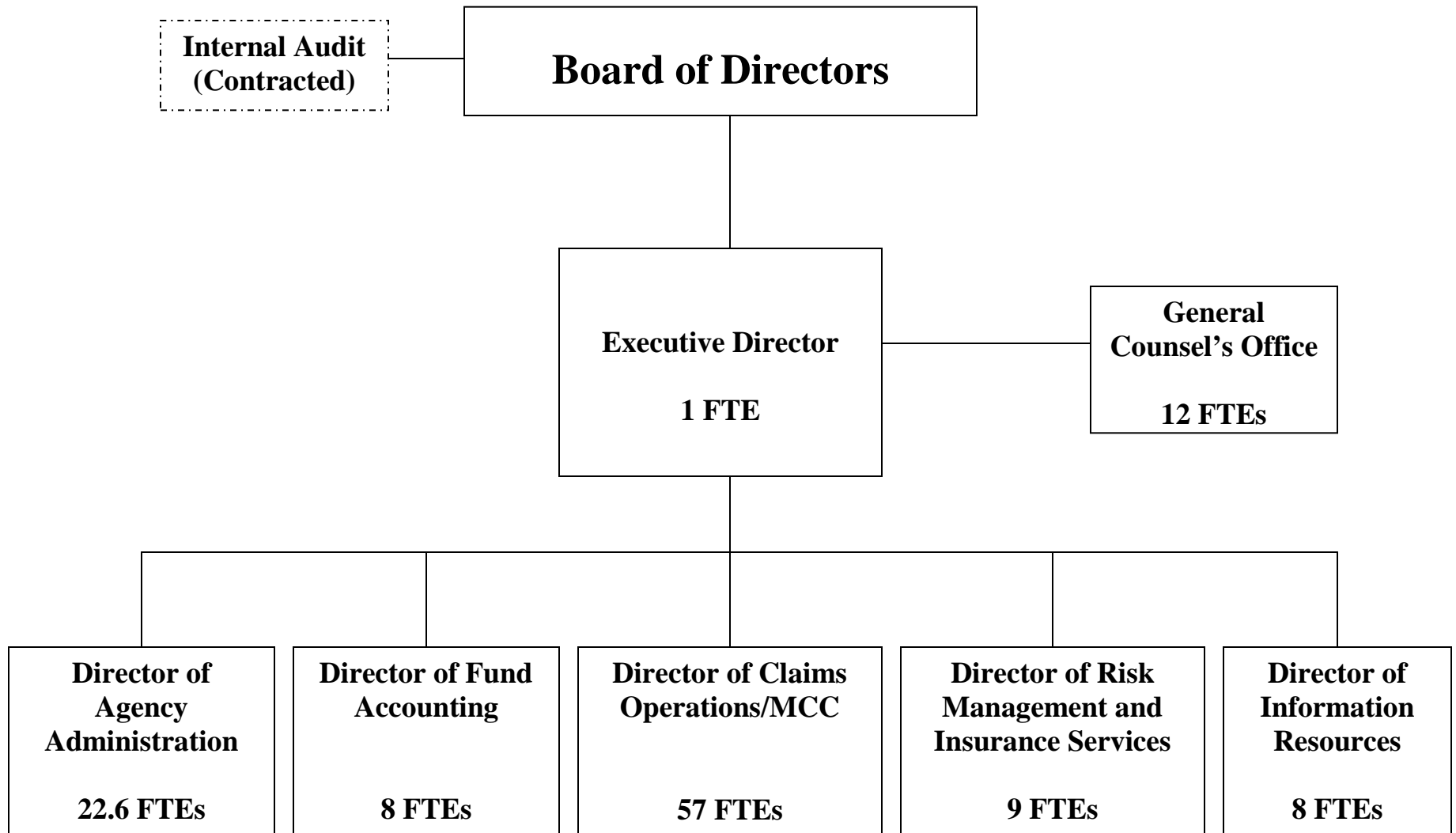
Effective oversight is the key to protecting the State's employees and resources while minimizing losses. The Office looks forward to presenting its appropriation request during the session.

Respectfully,

A handwritten signature in black ink, appearing to read "Jonathan D. Bow", with a long, sweeping horizontal line extending to the right.

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's Risk Manager and administrator of the State's workers' compensation insurance program, and is responsible for the day-to-day oversight of all the agency's functions.

Risk Management and Insurance Services:

The Risk Management and Insurance Services Division provides risk management and insurance services to the Office's client state agencies. Risk Management Specialists conduct on-site consultations to assist state agencies in establishing and maintaining risk management programs to protect state employees, state assets, and the public served by state agencies. The Division also oversees the State's Insurance Purchasing Program. The Insurance Program currently sponsors four lines of insurance and performs comprehensive reviews on all submitted and renewed insurance proposals for coverage, limits, insurer financial stability, loss controls, necessity, and appropriateness. The Office also coordinates the issuance of Notaries Public without Bond commissions for state employees with the Secretary of State.

Claims Operations:

The Claims Operations Division for workers' compensation is divided into Lost Time claims units, an Intake Team, a Customer Service Call Center, a Quality Assurance Unit, a Disability Management Team, and a Medical Cost Containment Unit. Client agencies are assigned to specified claims units. Upon receipt of the file, Claims Operation's Intake Team performs the initial investigation of each reported injury and determines compensability. They maintain control of minor claims and forward potential lost time claims to the lost time claims units. Claims Operations follows all claims to their conclusion to ensure that each injured state worker receives the medical and income benefits due under the Texas Workers' Compensation Act. The Medical Cost Containment Unit within Claims Operations is comprised of the Medical Provider Assistance, Case Management, and Medical Audit Units. The Office is

committed to ensuring each injured worker receives effective, cost efficient medical treatment designed to return them to employment as soon as possible.

Information Resources:

Information Resources creates and supports automation and record keeping for the Office's internal and external operations. Supported systems include claims processing, management and payment; document imaging; risk management, reporting and planning; and end user functionality for client agency reporting. The Claims Management System (CMS) is the platform that supports adjusting functions, fraud detection, claims accounting, payment initiation and claim information tracking. The Document Imaging System archives and retrieves claims-related documents, bills, recorded statements, and reports associated with claims. The Risk Management Information System (RMIS) is an interactive internet based website that allows agencies to report agency loss data, risk identification, and injury reports, to the Office electronically. Client agencies can access reports from that data on risk exposures and claim information and can create basic customized reports for their agencies. The Division provides various reports periodically and as needed to state agencies to aid them in determining the frequency and severity of claims and losses, and to begin establishing historical trend information to help determine projections of minimum and maximum probability losses. In addition to the major systems listed, the Division staff also provides support for minor systems, including insurance tracking, inventory, desktop computer support and other support systems.

Fund Accounting:

The Fund Accounting Division processes and issues approved workers' compensation medical and indemnity payments to injured workers and medical providers, including cancellation, re-issuance, and correction of warrants. This Division also administers the assessment program that allocates the amounts charged to participating state agencies for the costs of operating the agency, including processing workers' compensation claims and conducting risk management program reviews. Fund Accounting provides all accounting and budget functions for the Office in coordination with the Office of the Attorney General's Accounting and Budget Divisions.

Agency Administration:

The Administration Division is comprised of Office Administration, Customer Service, Document Processing, and Outreach and Training. Office Administration serves as the liaison to the OAG in areas such as purchasing, timekeeping (including special leave such as FMLA and ADA), travel, personnel actions, fixed assets, and telecommunications and building maintenance requests. The Document Processing Unit is responsible for converting incoming documents to digital format, and overseeing the inventory,

maintenance, and digital conversion of archived files. The Outreach and Training Section provides both on-site and distance learning health and safety, risk management, insurance and workers' compensation training for state agencies, and, internally, workers' compensation adjuster training to the Office's licensed adjusters.

General Counsel:

The General Counsel's Office provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies, and is comprised of four sections. Litigation is responsible for administrative dispute resolution and coordination with the Office of the Attorney General on legal matters. The Subrogation Section recovers workers' compensation benefits, medical costs, and other expenses paid on behalf of state employees injured in the course and scope of employment due to the negligence of a third party. The Investigations Section gathers information about workers' compensation injuries to assist claims adjusters identify possible fraudulent activity by injured workers and medical providers. The Governmental Relations Section's primary duty is maintaining the Office's relationship with the Legislature, the public, and other governmental entities.

2.A. Summary of Base Request by Strategy

8/24/2012 2:20:08PM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

479 State Office of Risk Management

| Goal / Objective / STRATEGY | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>1</u> Manage Workers' Compensation Costs | | | | | |
| <u>1</u> Risk Management | | | | | |
| 1 RISK MANAGEMENT PROGRAM | 2,049,429 | 3,016,477 | 2,866,477 | 2,941,477 | 2,941,477 |
| <u>2</u> Claims Administration | | | | | |
| 1 PAY WORKERS' COMPENSATION | 6,070,979 | 6,819,177 | 6,786,601 | 6,802,889 | 6,802,889 |
| TOTAL, GOAL 1 | \$8,120,408 | \$9,835,654 | \$9,653,078 | \$9,744,366 | \$9,744,366 |
| <u>2</u> Workers' Compensation Payments: Estimated and Nontransferable | | | | | |
| <u>1</u> Workers' Compensation Payments: Estimated and Nontransferable | | | | | |
| 1 WORKERS' COMP PAY: EST & NONTRANS | 44,914,604 | 40,167,750 | 43,371,161 | 41,769,455 | 41,769,456 |
| TOTAL, GOAL 2 | \$44,914,604 | \$40,167,750 | \$43,371,161 | \$41,769,455 | \$41,769,456 |
| TOTAL, AGENCY STRATEGY REQUEST | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST* | | | | \$0 | \$0 |
| GRAND TOTAL, AGENCY REQUEST | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |

479 State Office of Risk Management

| Goal / Objective / STRATEGY | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>METHOD OF FINANCING:</u> | | | | | |
| Other Funds: | | | | | |
| 666 Appropriated Receipts | 1,200 | 1,060 | 0 | 0 | 0 |
| 777 Interagency Contracts | 52,221,413 | 49,434,594 | 52,456,489 | 50,946,071 | 50,946,072 |
| 8052 Subrogation Receipts | 812,399 | 567,750 | 567,750 | 567,750 | 567,750 |
| SUBTOTAL | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| TOTAL, METHOD OF FINANCING | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |

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

2.B. Summary of Base Request by Method of Finance
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/24/2012 2:20:09PM

| Agency code: 479 | | Agency name: State Office of Risk Management | | | | |
|--|------------------------------|---|----------------|-------------|------------|------------|
| METHOD OF FINANCING | | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| <u>OTHER FUNDS</u> | | | | | | |
| <u>666</u> Appropriated Receipts | | | | | | |
| <i>RIDER APPROPRIATION</i> | | | | | | |
| S.B. 1, 81st Leg., R.S. Art IX, Sec 8.03, Page IX-38 (2010-11 GAA) | | | | | | |
| | | \$1,200 | \$0 | \$0 | \$0 | \$0 |
| H.B. 1, 82nd Leg., R.S. Art IX, Sec 8.03, Page IX-40 (2012-13 GAA) | | | | | | |
| | | \$0 | \$1,060 | \$0 | \$0 | \$0 |
| TOTAL, | Appropriated Receipts | \$1,200 | \$1,060 | \$0 | \$0 | \$0 |
| <u>777</u> Interagency Contracts | | | | | | |
| <i>REGULAR APPROPRIATIONS</i> | | | | | | |
| S.B. 1, 81st Leg., R.S. Art I, Page I-79 (2010-11 GAA) | | | | | | |
| | | \$8,777,914 | \$0 | \$0 | \$0 | \$0 |
| H.B. 1, 82nd Leg., R.S. Art I, Page I-88 (2012-13 GAA) | | | | | | |
| | | \$0 | \$9,053,077 | \$9,053,078 | \$0 | \$0 |
| S.B. 1, 81st Leg., R.S. Art I, Page I-81 (2010-11 GAA) | | | | | | |
| | | \$49,000,000 | \$0 | \$0 | \$0 | \$0 |

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

8/24/2012 2:20:09PM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: 479 | Agency name: State Office of Risk Management | | | | |
|--|---|--------------|--------------|--------------|--------------|
| METHOD OF FINANCING | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| <u>OTHER FUNDS</u> | | | | | |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | |
| H.B. 1, 82nd Leg., R.S. Art I, Page I-89 (2012-13 GAA) | \$0 | \$47,303,411 | \$47,803,411 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | |
| Regular Appropriation from MOF | \$0 | \$0 | \$0 | \$50,946,071 | \$50,946,072 |
| <i>RIDER APPROPRIATION</i> | | | | | |
| H.B. 1, 82nd Leg., R.S. Art IX, Sec 8.03, Page IX-40 (2012-13 GAA) | \$0 | \$750,000 | \$600,000 | \$0 | \$0 |
| HB 1, 82nd Leg, RS Art IX, Sec 18.15 Pymt DIR for Telecom(2012-13 GAA) | \$0 | \$31,517 | \$0 | \$0 | \$0 |
| <i>LAPSED APPROPRIATIONS</i> | | | | | |
| Lapsed Appropriation-Authority Only for UB | \$(1,018,908) | \$(831,487) | \$0 | \$0 | \$0 |

2.B. Summary of Base Request by Method of Finance
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/24/2012 2:20:09PM

| Agency code: 479 | Agency name: State Office of Risk Management | | | | |
|--|---|---------------|---------------|----------|----------|
| METHOD OF FINANCING | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| <u>OTHER FUNDS</u> | | | | | |
| Comments: AY2011 and AY2012: This is unexercised authority directly related to the amount of UB from the prior fiscal year, applied toward assessments charged to state agencies. | | | | | |
| S.B. 1, 81st Leg., R.S. Art IX, Sec 15.02, Page IX-60 (2010-11 GAA) | | | | | |
| | \$(3,619,770) | \$0 | \$0 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) unexercised authority. | | | | | |
| H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02, Page IX-62 (2012-13 GAA) | | | | | |
| | \$0 | \$(6,703,411) | \$(5,000,000) | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) unexercised authority. | | | | | |
| Lapsed Appropriation-Authority Only for UB | | | | | |
| | \$0 | \$(2,720,047) | \$(1,000,000) | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | |
| <i>UNEXPENDED BALANCES AUTHORITY</i> | | | | | |
| S.B. 1, 81st Leg., R.S. Art I, Rider 3, Page I-80 (2010-11 GAA) | | | | | |
| | \$1,191,689 | \$0 | \$0 | \$0 | \$0 |

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

8/24/2012 2:20:09PM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: 479 | | Agency name: State Office of Risk Management | | | | |
|--|------------------------------|---|---------------------|---------------------|---------------------|---------------------|
| METHOD OF FINANCING | | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| <u>OTHER FUNDS</u> | | | | | | |
| H.B. 1, 82nd Leg., R.S. Art I, Rider 2, Page I-89 (2012-13 GAA) | | \$(831,487) | \$831,487 | \$0 | \$0 | \$0 |
| S.B. 1, 81st Leg., R.S. Art IX, Sec 15.02 (h) Pg IX-61 (2010-11 GAA) | | \$1,442,022 | \$0 | \$0 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02 (h) Pg IX-63 (2012-13 GAA) | | \$(2,720,047) | \$2,720,047 | \$0 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| H.B. 1, 82nd Leg., R.S. Art IX, Sec 15.02 (h) Pg IX-63 (2012-13 GAA) | | \$0 | \$(1,000,000) | \$1,000,000 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| TOTAL, | Interagency Contracts | \$52,221,413 | \$49,434,594 | \$52,456,489 | \$50,946,071 | \$50,946,072 |
| <u>8052</u> | Subrogation Receipts | | | | | |
| <i>REGULAR APPROPRIATIONS</i> | | | | | | |
| S.B. 1, 81st Leg., R.S. Art I, Page I-81 (2010-11 GAA) | | | | | | |

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

8/24/2012 2:20:09PM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

| Agency code: 479 | | Agency name: State Office of Risk Management | | | | |
|--|-----------------------------|---|--------------|--------------|--------------|--------------|
| METHOD OF FINANCING | | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| <u>OTHER FUNDS</u> | | | | | | |
| | | \$567,750 | \$0 | \$0 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| H.B. 1, 82nd Leg., R.S. Art I, Page I-89 (2012-13 GAA) | | | | | | |
| | | \$0 | \$567,750 | \$567,750 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| Regular Appropriation from MOF | | | | | | |
| | | \$0 | \$0 | \$0 | \$567,750 | \$567,750 |
| <i>RIDER APPROPRIATION</i> | | | | | | |
| S.B. 1, 81st Leg., R.S. Art IX, Sec 15.02 (g) Pg IX-61 (2010-11 GAA) | | | | | | |
| | | \$244,649 | \$0 | \$0 | \$0 | \$0 |
| Comments: Workers' Compensation Claim appropriation (#40A) | | | | | | |
| TOTAL, | Subrogation Receipts | | | | | |
| | | \$812,399 | \$567,750 | \$567,750 | \$567,750 | \$567,750 |
| TOTAL, ALL | OTHER FUNDS | | | | | |
| | | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| GRAND TOTAL | | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |

2.B. Summary of Base Request by Method of Finance
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/24/2012 2:20:09PM

| Agency code: 479 | Agency name: State Office of Risk Management | | | | |
|---|---|-----------------|-----------------|-----------------|-----------------|
| METHOD OF FINANCING | Exp 2011 | Est 2012 | Bud 2013 | Req 2014 | Req 2015 |
| FULL-TIME-EQUIVALENT POSITIONS | | | | | |
| REGULAR APPROPRIATIONS | | | | | |
| S.B. 1, 81st Leg., R.S. Art I, Page I-79 (2010-11 GAA) | 126.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| H.B. 1, 82nd Leg., R.S. Art I, Page I-88 (2012-13 GAA) | 0.0 | 117.6 | 117.6 | 0.0 | 0.0 |
| Regular Appropriation from MOF | 0.0 | 0.0 | 0.0 | 117.6 | 117.6 |
| UNAUTHORIZED NUMBER OVER (BELOW) CAP | | | | | |
| S.B. 1, 81st Leg., R.S. Art I, Page I-79 (2010-11 GAA) | (6.1) | 0.0 | 0.0 | 0.0 | 0.0 |
| H.B. 1, 82nd Leg., R.S. Art I, Page I-88 (2012-13 GAA) | 0.0 | (3.2) | 0.0 | 0.0 | 0.0 |
| TOTAL, ADJUSTED FTES | 119.9 | 114.4 | 117.6 | 117.6 | 117.6 |
| 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

8/24/2012 2:20:09PM

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)**479 State Office of Risk Management**

| OBJECT OF EXPENSE | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1001 SALARIES AND WAGES | \$5,295,737 | \$5,310,734 | \$5,542,973 | \$5,542,973 | \$5,542,973 |
| 1002 OTHER PERSONNEL COSTS | \$234,099 | \$167,565 | \$167,565 | \$167,565 | \$167,565 |
| 2001 PROFESSIONAL FEES AND SERVICES | \$1,864,609 | \$1,927,895 | \$1,926,836 | \$1,926,836 | \$1,926,836 |
| 2003 CONSUMABLE SUPPLIES | \$29,724 | \$30,517 | \$30,517 | \$30,517 | \$30,517 |
| 2004 UTILITIES | \$0 | \$612 | \$612 | \$612 | \$612 |
| 2005 TRAVEL | \$124,718 | \$135,083 | \$135,083 | \$135,083 | \$135,083 |
| 2006 RENT - BUILDING | \$888 | \$720 | \$720 | \$720 | \$720 |
| 2007 RENT - MACHINE AND OTHER | \$24,111 | \$23,866 | \$23,866 | \$23,866 | \$23,866 |
| 2009 OTHER OPERATING EXPENSE | \$45,461,126 | \$42,406,412 | \$45,196,067 | \$43,685,649 | \$43,685,650 |
| 5000 CAPITAL EXPENDITURES | \$0 | \$0 | \$0 | \$0 | \$0 |
| OOE Total (Excluding Riders) | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| OOE Total (Riders) | | | | | |
| Grand Total | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |

2.D. Summary of Base Request Objective Outcomes
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

8/24/2012 2:20:09PM

| 479 State Office of Risk Management | | | | | |
|---|-----------------|-----------------|-----------------|----------------|----------------|
| <i>Goal/ Objective / Outcome</i> | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
| 1 Manage Workers' Compensation Costs | | | | | |
| 1 <i>Risk Management</i> | | | | | |
| KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees | | | | | |
| | 3.92% | 3.90% | 3.95% | 3.95 % | 3.95 % |
| 2 <i>Claims Administration</i> | | | | | |
| KEY 1 Cost of Workers' Compensation Per Covered State Employee | | | | | |
| | 268.81 | 253.38 | 265.00 | 268.00 | 270.00 |
| KEY 2 Cost of Workers' Compensation Coverage per \$100 State Payroll | | | | | |
| | 0.71 | 0.67 | 0.71 | 0.73 | 0.74 |

2.E. Summary of Exceptional Items Request
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME : 2:20:09PM

Agency code: 479

Agency name: State Office of Risk Management

| Priority | Item | 2014 | | | 2015 | | | Biennium | |
|---|-----------------------------------|---------------------------|------------------|------------|------------------------|------------------|------------|------------------------|--------------------|
| | | GR and GR/GR Dedicated | All Funds | FTEs | GR and GR Dedicated | All Funds | FTEs | GR and GR Dedicated | All Funds |
| 1 | Claims Management System Redesign | | \$590,000 | 4.0 | | \$380,000 | 4.0 | | \$970,000 |
| 2 | Workstations Upgrade | | \$90,000 | | | \$90,000 | | | \$180,000 |
| 3 | Increased E.D. Maximum Salary | | \$0 | | | \$0 | | | \$0 |
| 4 | Voice Interactive Response System | | \$48,000 | | | \$48,000 | | | \$96,000 |
| 5 | Increased FTE Cap | | \$0 | 3.4 | | \$0 | 3.4 | | \$0 |
| Total, Exceptional Items Request | | | \$728,000 | 7.4 | | \$518,000 | 7.4 | | \$1,246,000 |

Method of Financing

General Revenue

General Revenue - Dedicated

Federal Funds

Other Funds

| | | | | | |
|------------|------------------|------------|------------------|------------|--------------------|
| | 728,000 | | 518,000 | | 1,246,000 |
| \$0 | \$728,000 | \$0 | \$518,000 | \$0 | \$1,246,000 |

Full Time Equivalent Positions

7.4

7.4

Number of 100% Federally Funded FTEs

0.0

0.0

2.F. Summary of Total Request by Strategy
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/24/2012

TIME : 2:20:10PM

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

| Goal/Objective/STRATEGY | Base 2014 | Base 2015 | Exceptional 2014 | Exceptional 2015 | Total Request 2014 | Total Request 2015 |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| 1 Manage Workers' Compensation Costs | | | | | | |
| 1 <i>Risk Management</i> | | | | | | |
| 1 RISK MANAGEMENT PROGRAM | \$2,941,477 | \$2,941,477 | \$421,400 | \$351,400 | \$3,362,877 | \$3,292,877 |
| 2 <i>Claims Administration</i> | | | | | | |
| 1 PAY WORKERS' COMPENSATION | 6,802,889 | 6,802,889 | 306,600 | 166,600 | 7,109,489 | 6,969,489 |
| TOTAL, GOAL 1 | \$9,744,366 | \$9,744,366 | \$728,000 | \$518,000 | \$10,472,366 | \$10,262,366 |
| 2 Workers' Compensation Payments: Estimated and Nontransferable | | | | | | |
| 1 <i>Workers' Compensation Payments: Estimated and Nontransferable</i> | | | | | | |
| 1 WORKERS' COMP PAY: EST & NONTRANS | 41,769,455 | 41,769,456 | 0 | 0 | 41,769,455 | 41,769,456 |
| TOTAL, GOAL 2 | \$41,769,455 | \$41,769,456 | \$0 | \$0 | \$41,769,455 | \$41,769,456 |
| TOTAL, AGENCY STRATEGY REQUEST | \$51,513,821 | \$51,513,822 | \$728,000 | \$518,000 | \$52,241,821 | \$52,031,822 |
| TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST | | | | | | |
| GRAND TOTAL, AGENCY REQUEST | \$51,513,821 | \$51,513,822 | \$728,000 | \$518,000 | \$52,241,821 | \$52,031,822 |

2.F. Summary of Total Request by Strategy
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/24/2012

TIME : 2:20:10PM

| Agency code: 479 | Agency name: State Office of Risk Management | | | | | |
|---------------------------------------|--|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| Goal/Objective/STRATEGY | Base 2014 | Base 2015 | Exceptional 2014 | Exceptional 2015 | Total Request 2014 | Total Request 2015 |
| Other Funds: | | | | | | |
| 666 Appropriated Receipts | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 777 Interagency Contracts | 50,946,071 | 50,946,072 | 728,000 | 518,000 | 51,674,071 | 51,464,072 |
| 8052 Subrogation Receipts | 567,750 | 567,750 | 0 | 0 | 567,750 | 567,750 |
| | \$51,513,821 | \$51,513,822 | \$728,000 | \$518,000 | \$52,241,821 | \$52,031,822 |
| TOTAL, METHOD OF FINANCING | \$51,513,821 | \$51,513,822 | \$728,000 | \$518,000 | \$52,241,821 | \$52,031,822 |
| FULL TIME EQUIVALENT POSITIONS | 117.6 | 117.6 | 7.4 | 7.4 | 125.0 | 125.0 |

2.G. Summary of Total Request Objective Outcomes
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/24/2012
Time: 2:20:10PM

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

Goal/ Objective / Outcome

| | | BL 2014 | BL 2015 | Excp 2014 | Excp 2015 | Total Request 2014 | Total Request 2015 |
|-----|--|------------|------------|--------------|--------------|--------------------------|--------------------------|
| 1 | Manage Workers' Compensation Costs | | | | | | |
| 1 | Risk Management | | | | | | |
| KEY | 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees | | | | | | |
| | | 3.95% | 3.95% | | | 3.95% | 3.95 % |
| 2 | Claims Administration | | | | | | |
| KEY | 1 Cost of Workers' Compensation Per Covered State Employee | | | | | | |
| | | 268.00 | 270.00 | 271.97 | 272.82 | 271.97 | 272.82 |
| KEY | 2 Cost of Workers' Compensation Coverage per \$100 State Payroll | | | | | | |
| | | 0.73 | 0.74 | 0.74 | 0.75 | 0.74 | 0.75 |

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|------------------------------------|---|-------------|-------------|-------------|-------------|-------------|
| Output Measures: | | | | | | |
| KEY 1 | Number of Written Risk Management Program Reviews Conducted | 33.00 | 29.00 | 29.00 | 29.00 | 29.00 |
| KEY 2 | Number of On-site Consultations Conducted | 252.00 | 234.00 | 229.00 | 229.00 | 229.00 |
| 3 | Number of Risk Management Training Sessions Conducted | 220.00 | 242.00 | 230.00 | 230.00 | 230.00 |
| Efficiency Measures: | | | | | | |
| 1 | Cost Per Hour of Direct Risk Management Service Provided | 80.06 | 127.77 | 107.90 | 110.72 | 110.72 |
| Explanatory/Input Measures: | | | | | | |
| 1 | Percentage of Total Assessments Collected Used for Claim Payments | 96.06 % | 97.71 % | 100.00 % | 100.00 % | 100.00 % |
| Objects of Expense: | | | | | | |
| 1001 | SALARIES AND WAGES | \$1,739,753 | \$1,734,530 | \$1,901,610 | \$1,901,610 | \$1,901,610 |
| 1002 | OTHER PERSONNEL COSTS | \$73,492 | \$50,666 | \$50,666 | \$50,666 | \$50,666 |
| 2001 | PROFESSIONAL FEES AND SERVICES | \$7,793 | \$9,849 | \$9,849 | \$9,849 | \$9,849 |
| 2003 | CONSUMABLE SUPPLIES | \$8,619 | \$8,284 | \$8,284 | \$8,284 | \$8,284 |
| 2004 | UTILITIES | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2005 | TRAVEL | \$64,488 | \$61,002 | \$61,002 | \$61,002 | \$61,002 |

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2006 | RENT - BUILDING | \$300 | \$216 | \$216 | \$216 | \$216 |
| 2007 | RENT - MACHINE AND OTHER | \$7,457 | \$7,160 | \$7,160 | \$7,160 | \$7,160 |
| 2009 | OTHER OPERATING EXPENSE | \$147,527 | \$1,144,770 | \$827,690 | \$902,690 | \$902,690 |
| 5000 | CAPITAL EXPENDITURES | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL, OBJECT OF EXPENSE | | \$2,049,429 | \$3,016,477 | \$2,866,477 | \$2,941,477 | \$2,941,477 |
| Method of Financing: | | | | | | |
| 666 | Appropriated Receipts | \$40 | \$0 | \$0 | \$0 | \$0 |
| 777 | Interagency Contracts | \$2,049,389 | \$3,016,477 | \$2,866,477 | \$2,941,477 | \$2,941,477 |
| SUBTOTAL, MOF (OTHER FUNDS) | | \$2,049,429 | \$3,016,477 | \$2,866,477 | \$2,941,477 | \$2,941,477 |
| TOTAL, METHOD OF FINANCE (INCLUDING RIDERS) | | | | | \$2,941,477 | \$2,941,477 |
| TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS) | | \$2,049,429 | \$3,016,477 | \$2,866,477 | \$2,941,477 | \$2,941,477 |
| FULL TIME EQUIVALENT POSITIONS: | | 32.4 | 31.2 | 33.5 | 33.5 | 33.5 |

STRATEGY DESCRIPTION AND JUSTIFICATION:

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Risk Management

Assist/Review/Monitor Agencies' Risk Management Programs

The Executive Director of the Office serves as the State's Risk Manager. The Office provides services to 137 state agencies and 121 Community Supervision and Corrections Departments (CSCDs). The Office's programs cover roughly 186,000 state employees, nearly \$12 billion in real property, and approximately \$3.99 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 by the Risk Evaluation and Planning System (REPS).

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

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

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

3.A. Strategy Request
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/24/2012 2:20:10PM

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|-----------------------------|---|-------------|-------------|-------------|-------------|-------------|
| Output Measures: | | | | | | |
| | 1 Number of Initial Eligibility Determinations Made | 8,521.00 | 7,900.00 | 8,000.00 | 8,000.00 | 8,000.00 |
| KEY 2 | Number of Medical Bills Processed | 127,568.00 | 107,674.00 | 107,500.00 | 107,500.00 | 107,500.00 |
| KEY 3 | Number of Indemnity Bills Paid | 35,539.00 | 31,836.00 | 31,750.00 | 31,750.00 | 31,750.00 |
| Efficiency Measures: | | | | | | |
| KEY 1 | Average Cost to Administer Claim | 516.14 | 610.27 | 620.00 | 620.00 | 620.00 |
| Objects of Expense: | | | | | | |
| 1001 | SALARIES AND WAGES | \$3,555,984 | \$3,576,204 | \$3,641,363 | \$3,641,363 | \$3,641,363 |
| 1002 | OTHER PERSONNEL COSTS | \$160,607 | \$116,899 | \$116,899 | \$116,899 | \$116,899 |
| 2001 | PROFESSIONAL FEES AND SERVICES | \$1,856,816 | \$1,918,046 | \$1,916,987 | \$1,916,987 | \$1,916,987 |
| 2003 | CONSUMABLE SUPPLIES | \$21,105 | \$22,233 | \$22,233 | \$22,233 | \$22,233 |
| 2004 | UTILITIES | \$0 | \$612 | \$612 | \$612 | \$612 |
| 2005 | TRAVEL | \$60,230 | \$74,081 | \$74,081 | \$74,081 | \$74,081 |
| 2006 | RENT - BUILDING | \$588 | \$504 | \$504 | \$504 | \$504 |
| 2007 | RENT - MACHINE AND OTHER | \$16,654 | \$16,706 | \$16,706 | \$16,706 | \$16,706 |
| 2009 | OTHER OPERATING EXPENSE | \$398,995 | \$1,093,892 | \$997,216 | \$1,013,504 | \$1,013,504 |
| 5000 | CAPITAL EXPENDITURES | \$0 | \$0 | \$0 | \$0 | \$0 |

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| TOTAL, OBJECT OF EXPENSE | | \$6,070,979 | \$6,819,177 | \$6,786,601 | \$6,802,889 | \$6,802,889 |
| Method of Financing: | | | | | | |
| 666 | Appropriated Receipts | \$1,160 | \$1,060 | \$0 | \$0 | \$0 |
| 777 | Interagency Contracts | \$6,069,819 | \$6,818,117 | \$6,786,601 | \$6,802,889 | \$6,802,889 |
| SUBTOTAL, MOF (OTHER FUNDS) | | \$6,070,979 | \$6,819,177 | \$6,786,601 | \$6,802,889 | \$6,802,889 |
| TOTAL, METHOD OF FINANCE (INCLUDING RIDERS) | | | | | \$6,802,889 | \$6,802,889 |
| TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS) | | \$6,070,979 | \$6,819,177 | \$6,786,601 | \$6,802,889 | \$6,802,889 |
| FULL TIME EQUIVALENT POSITIONS: | | 87.5 | 83.2 | 84.1 | 84.1 | 84.1 |
| STRATEGY DESCRIPTION AND JUSTIFICATION: | | | | | | |

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Claims Administration
Review Claims, Determine Liability and Pay Eligible Claims

The Office provides workers' compensation claims administration services to all state agencies (excepting TxDOT, and the UT and A&M University Systems), as well as CSCDs and other statutorily defined individuals. Both ERS & 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 137 entities, and will decrease in the event of agency consolidations. The number of current covered FTEs has increased from 147,847 in FY92 to 192,007 in FY11. State employees are geographically distributed throughout the State with concentrations in the major metropolitan areas .

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

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

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Objects of Expense: | | | | | | |
| 2009 | OTHER OPERATING EXPENSE | \$44,914,604 | \$40,167,750 | \$43,371,161 | \$41,769,455 | \$41,769,456 |
| TOTAL, OBJECT OF EXPENSE | | \$44,914,604 | \$40,167,750 | \$43,371,161 | \$41,769,455 | \$41,769,456 |
| Method of Financing: | | | | | | |
| 777 | Interagency Contracts | \$44,102,205 | \$39,600,000 | \$42,803,411 | \$41,201,705 | \$41,201,706 |
| 8052 | Subrogation Receipts | \$812,399 | \$567,750 | \$567,750 | \$567,750 | \$567,750 |
| SUBTOTAL, MOF (OTHER FUNDS) | | \$44,914,604 | \$40,167,750 | \$43,371,161 | \$41,769,455 | \$41,769,456 |
| TOTAL, METHOD OF FINANCE (INCLUDING RIDERS) | | | | | \$41,769,455 | \$41,769,456 |
| TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS) | | \$44,914,604 | \$40,167,750 | \$43,371,161 | \$41,769,455 | \$41,769,456 |
| FULL TIME EQUIVALENT POSITIONS: | | | | | | |
| STRATEGY DESCRIPTION AND JUSTIFICATION: | | | | | | |

479 State Office of Risk Management

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

| CODE | DESCRIPTION | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|------|-------------|----------|----------|----------|---------|---------|
|------|-------------|----------|----------|----------|---------|---------|

Workers' Compensation Payments: Estimated and Nontransferable

This strategy is a separate goal 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 injuries filed on behalf of employees, determining whether a claim is compensable, and paying income and medical benefits as due. This strategy contributes directly to the priority goal of general state government to support effective, efficient, and accountable state government operations.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Costs of the State's 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 the Office's claims processing. The annual savings noted are sufficient to fund the agency's "Pay Workers' Compensation strategy" costs for more than a biennium. There is no transfer authority between this strategy appropriation and the administrative strategies.

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

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

SUMMARY TOTALS:

| | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| OBJECTS OF EXPENSE: | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| METHODS OF FINANCE (INCLUDING RIDERS): | | | | \$51,513,821 | \$51,513,822 |
| METHODS OF FINANCE (EXCLUDING RIDERS): | \$53,035,012 | \$50,003,404 | \$53,024,239 | \$51,513,821 | \$51,513,822 |
| FULL TIME EQUIVALENT POSITIONS: | 119.9 | 114.4 | 117.6 | 117.6 | 117.6 |

3.B. Rider Revisions and Additions Request

| | | | | |
|----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
|----------------------------|--|--|---------------------------------|-----------------------------------|

| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language |
|-----------------------------|-----------------------------------|--------------------------------|
|-----------------------------|-----------------------------------|--------------------------------|

| | | |
|---|------|---|
| 2 | I-89 | <p>Appropriation of Unexpended Balances. Any unexpended balances remaining as of August 31, 2012 2014, out of appropriations made to Strategy A.1.1, Risk Management Program and 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, 2012-2014, to be applied toward assessments charged to state agencies for the administration of the workers' compensation and risk management programs including, the medical cost containment vendor and workers' compensation network contracts for fiscal year 2013-2015.</p> <p>Included in amounts appropriated above in Strategy A.1.1, Risk Management Program and Strategy A.2.1, Pay Workers' Compensation are unobligated balances remaining as of August 31, 2011-2013, estimated to be \$250,000 in Interagency Contracts, for the same purposes to Strategy A.1.1, Risk Management Program and Strategy A.2.1, Pay Workers' Compensation for the fiscal year beginning September 1, 2011-2013. <u>This applies to all remaining Interagency Contract funding in these strategies, including any Capital Budget collected.</u></p> <p><i>The requested revisions update the rider for the 2012/2013 biennium and clarify that all funding collected through the assessments to client agencies remain differentiated to comply with federal requirements. This clarification submitted per LBB recommendation.</i></p> |
| 3 | I-89 | <p>Insurable State Asset Study. By January 1, 2013, the State Office of Risk Management with the assistance of all agencies, shall prepare a proposal recommending a statewide strategy for ensuring that state assets are adequately insured. The proposal shall comment on the advisability of various insurance options, including self-insurance, privately placed insurance, and stop-loss insurance. This report shall be provided to the Legislative Budget Board and be made available to the public.</p> <p><i>This rider was originally for the 2010/2011 biennium, and a report was submitted. The Office requested that the rider be continued for 2012/2013 to provide follow up recommendations. This proposal will be completed and submitted by January, 2013.</i></p> |

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

| | | | | |
|-----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

| | | |
|---|------|--|
| 4 | I-89 | <p>Administrative Support for the State Office of Risk Management. Out of funds appropriated above in Strategy A.1.1, Risk Management Program, the State Office of Risk Management shall enter into an interagency contract with the Attorney General for administrative support services which shall consist of the same levels of service and approximate costs as were provided to the State Office of Risk Management during the 2010-11 biennium, <u>at the amount appropriated in the bill pattern for the Attorney General, Strategy E.1.1, Administrative Support for SORM.</u></p> |
|---|------|--|

This rider previously introduced for the 2012-13 biennium to implement the initial change in funding source for Administrative Support for SORM. The requested revisions modify the rider respecting cost designation to reference the appropriate strategy in the Attorney General's bill pattern.

| | | |
|---|------|--|
| 1 | I-90 | <p>Appropriation - Subrogation Receipts. 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> |
|---|------|--|

No change requested.

| | | |
|---|------|---|
| 2 | I-90 | <p>Cost Containment. The State Office of Risk Management shall submit a report detailing the effectiveness of various cost containment measures undertaken and proposing additional measures to reduce workers' compensation costs. This report shall be submitted to the legislative and executive budget offices, in the form those offices require, within 45 days after the close of each fiscal year.</p> |
|---|------|---|

No change requested.

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

| | | | | |
|-------------------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

3

I-90

Reporting of Workers' Compensation Claims. For the purpose of reporting expenditures to the Uniform Statewide Accounting System (USAS), the State Office of Risk Management (SORM) shall account for payments of workers' compensation claims based on the date on which the bill for services is presented for payment to SORM.

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.

No change requested.

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

| | | | | |
|-----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

15.02

IX-62

Payments to the State Office of Risk Management (SORM).

(a) In this section:

(1) "Agency" includes a state agency as defined under § 2151.002, Government Code, which includes an institution of higher education (except a public junior college) as defined under § 61.003, Education Code, and may also include any other unit of state government as defined by the rules of SORM, which participates in cost allocation plan provided under this section;

(2) "Assessment" means the amount of the workers' compensation assessment placed on an agency by SORM and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management Program and A.2.1, Pay Workers' Compensation, as provided by this section and other relevant law; and

(3) "SORM" means the State Office of Risk Management.

(b) At the beginning of each fiscal year, SORM shall prepare a statement reflecting the assessments due from all agencies and present it to the Comptroller.

(c)

(1) Notwithstanding other provisions in this Act, agencies shall transfer to SORM seventy-five percent (75%) of their assessed allocation which includes amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Funds or local bank accounts and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management Program and A.2.1, Pay Workers' Compensation.

Continued on next page.

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

| | | | | |
|-----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

15.02
(continued)

IX-62
(continued)

(c)
(2) Not later than May 1 of each fiscal year, SORM shall determine, based on actual costs since the beginning of the fiscal year and other estimated costs, the remaining assessment due from each agency. SORM shall prepare a statement reflecting the remaining assessments due from each agency and present the statement to the Comptroller. Each agency shall transfer to SORM the remaining assessed allocation which includes amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Funds or local bank accounts and the agencies' proportion of SORM's costs to administer workers' compensation payments and other statutory obligations contained in A.1.1, Risk Management Program and A.2.1, Pay Workers' Compensation.

(d) Transfers and payments as are authorized under law shall be made not more than 30 days from receipt of the statement of payments due.

(e) The Comptroller may prescribe accounting procedures and regulations to implement this section.

(f) Upon certification by SORM of amounts due, the Comptroller may transfer funds from an agency if the assessment amount due remains unpaid after more than 30 days from receipt of the statement of payments due.

(g) All funds recovered by SORM from third parties by way of subrogation are appropriated to SORM to be used for the payment of workers' compensation benefits to state employees and shall be retained in the bill pattern of the Workers' Compensation Payments in Strategy A.1.1, Workers' Compensation Payments, in whole for that purpose.

Continued on next page.

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

| | | | | |
|-----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

15.02
(continued)

IX-62
(continued)

(h) Amounts not to exceed 2 percent in total of workers' compensation annual expenditures may be awarded to agencies by SORM for the purposes of risk management and loss prevention. ~~In the event that An all funds excess of 10 percent or less in Strategy A.1.1, B.1.1, Workers' Compensation Payments, in the SORM bill pattern of the Workers' Compensation Payments, funded by the annual assessments to agencies will be used to lower the cumulative assessments to agencies the following year, exceeds 140 percent of the expected annual payments, the~~ Any portion of the an excess over 440-10 percent funded from all funding sources shall be returned to agencies. The excess returned to the agencies by SORM is appropriated to the agencies for expenditures consistent with the original funding source. ~~An all funds excess of 10 percent or less will be used to lower the cumulative assessments to agencies the following year.~~

(i) In the event the total assessments in any year prove insufficient to fund expenditures, SORM may, with the approval of the Legislative Budget Board, temporarily utilize additional general revenue in an amount not to exceed 20 percent of the cumulative assessments for that fiscal year. Any additional general revenue funds will be utilized only for the purpose of temporary cash flow and must be repaid upon receipt of the following year's assessments in accordance with procedures established by the Comptroller. All transfers from and repayments to the General Revenue Fund shall be reported by SORM to the Legislative Budget Board.

(j) The reimbursement requirements established by this section may be waived or delayed, either in whole or in part, by the Legislative Budget Board.

(k) SORM shall require agencies to provide to SORM and agencies shall submit to SORM information regarding the specific funding sources from which agencies pay their assessed allocation amounts for workers' compensation coverage for their employees.

The requested changes update the rider to reflect that the previous separate appropriation is now a second goal within the SORM bill pattern, and clarify that any excess funding used to lower assessments the following year is limited to 10% of the total collected, with any additional excess returned to agencies.

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

| | | | | |
|-----------------------------|--|--|---------------------------------|-----------------------------------|
| Agency Code: 479 | Agency Name: State Office of Risk Management | Prepared By: Stuart B. Cargile | Date: August 23, 2012 | Request Level: Baseline |
| Current Rider Number | Page Number in 2012-13 GAA | Proposed Rider Language | | |

701

Article I

Capital Budget.

None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes.

| | <u>2014</u> | <u>2015</u> |
|--|------------------|-------------------|
| <u>a. Acquisition of Information Resource Technologies</u> | | |
| <u>(1) Claims Management System Redesign</u> | <u>\$590,000</u> | <u>\$ 380,000</u> |
| <u>(2) Workstations Upgrade</u> | <u>\$90,000</u> | <u>\$90,000</u> |
| <u>(3) Voice Interactive Response System</u> | <u>\$48,000</u> | <u>\$48,000</u> |
| <u>Total, Acquisition of Information Resource Technologies</u> | <u>\$728,000</u> | <u>\$ 518,000</u> |
| <u>Total, Capital Budget</u> | <u>\$728,000</u> | <u>\$ 518,000</u> |

This proposed rider reflects the agency's requested Capital Budget exceptional items.

4.A. Exceptional Item Request Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME: **2:20:11PM**

Agency code: **479**

Agency name:

State Office of Risk Management

| CODE | DESCRIPTION | | Excp 2014 | Excp 2015 |
|--|---|--|--|------------------|
| | Item Name: | Workers' Compensation Claims Management System Redesign(CCI) | | |
| | 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 | | 280,000 | 280,000 |
| 2009 | OTHER OPERATING EXPENSE | | 10,000 | 0 |
| 5000 | CAPITAL EXPENDITURES | | 300,000 | 100,000 |
| TOTAL, OBJECT OF EXPENSE | | | \$590,000 | \$380,000 |
| METHOD OF FINANCING: | | | | |
| 777 | Interagency Contracts | | 590,000 | 380,000 |
| TOTAL, METHOD OF FINANCING | | | \$590,000 | \$380,000 |
| FULL-TIME EQUIVALENT POSITIONS (FTE): | | | 4.00 | 4.00 |

DESCRIPTION / JUSTIFICATION:

The current Workers' Compensation System data processing application, known as the Claims Management System (CMS), was developed in the mid 1990s by the Office of the Attorney General. The current CMS system is a legacy system written in ADABAS/Natural and continues to be maintained and modified by the Office of the Attorney General (OAG) with SORM development. The system needs several significant modifications in order to comply with statutory and other requirements. SORM proposes to move various mainframe processes to client server applications to take advantage of current technology, including a web interface.

EXTERNAL/INTERNAL FACTORS:

Expenditure represented by the exceptional item is necessary and is requested to convert the obsolete CMS to a new, client server based system to be maintained by SORM. The OAG supports efforts to this end.

4.A. Exceptional Item Request Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME: **2:20:11PM**

Agency code: **479**

Agency name:

State Office of Risk Management

| CODE | DESCRIPTION | | Excp 2014 | Excp 2015 |
|-----------------------------|---|---|-----------------|-----------------|
| | Item Name: | Workstations 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: | | | | |
| 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 2010. 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 2014. The cost for agency desktop replacement is requested at \$90,000 in FY14 and \$90,000 in FY 15.

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
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME: **2:20:11PM**

Agency code: **479**

Agency name:

State Office of Risk Management

| CODE | DESCRIPTION | | Excp 2014 | Excp 2015 |
|-----------------------------|---|---|------------|------------|
| | Item Name: | Statutory Increase to Executive Director's Salary Limit | | |
| | 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: | | | | |
| 1001 | SALARIES AND WAGES | | 0 | 0 |
| | TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | | |
| 777 | Interagency Contracts | | 0 | 0 |
| | TOTAL, METHOD OF FINANCING | | \$0 | \$0 |

DESCRIPTION / JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS:

Since its inception in September 1997, the Board has hired three executive directors, with staff serving in an interim capacity as required. The SAO's Classification Study of Exempt Positions indicates that the maximum salary currently authorized for this position is not competitive in the market average, raising concern for both the short- and long-term retention of a qualified Risk Manager for the State of Texas.

4.A. Exceptional Item Request Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:11PM

Agency code: 479

Agency name:

State Office of Risk Management

| CODE | DESCRIPTION | Excp 2014 | Excp 2015 |
|------|-------------|-----------|-----------|
|------|-------------|-----------|-----------|

Item Name: Voice Interactive Response System

Item Priority: 4

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

48,000

48,000

TOTAL, OBJECT OF EXPENSE

\$48,000

\$48,000

METHOD OF FINANCING:

777 Interagency Contracts

48,000

48,000

TOTAL, METHOD OF FINANCING

\$48,000

\$48,000

DESCRIPTION / JUSTIFICATION:

The current telephone system is outdated and is at risk of failure. A voice interactive response system would be developed in conjunction with the CMS redesign and integrated into the new claims management system. The requested funding is for the software and related licenses for the voice interactive response system.

EXTERNAL/INTERNAL FACTORS:

Telephone communication is essential to the administration of workers' compensation claims, both in assisting injured state employees and in processing payment of medical care.

4.A. Exceptional Item Request Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME: **2:20:11PM**

Agency code: **479**

Agency name:

State Office of Risk Management

| CODE | DESCRIPTION | | Excp 2014 | Excp 2015 |
|--|---|---|------------|------------|
| | Item Name: | Increase in the FTE Cap to 121 | | |
| | Item Priority: | 5 | | |
| | Includes Funding for the Following Strategy or Strategies: | 01-01-01 Assist/Review/Monitor Agencies' Risk Management Programs | | |
| | | 01-02-01 Review Claims, Determine Liability and Pay Eligible Claims | | |
| OBJECTS OF EXPENSE: | | | | |
| 1001 | SALARIES AND WAGES | | 0 | 0 |
| | TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | | |
| 777 | Interagency Contracts | | 0 | 0 |
| | TOTAL, METHOD OF FINANCING | | \$0 | \$0 |
| FULL-TIME EQUIVALENT POSITIONS (FTE): | | | 3.40 | 3.40 |

DESCRIPTION / JUSTIFICATION:

An increase in the FTE cap, to 121, is requested to allow the agency to operate at approximately 118 FTEs without exceeding the cap. The majority of staff are highly skilled professional positions, requiring weeks to replace. No additional funding is requested.

EXTERNAL/INTERNAL FACTORS:

The Office experiences relatively high turnover because of its inability to match salaries in the industry. Because of the high skill level required for virtually all of the agency's staff, positions remain vacant for some time, resulting in lapsed positions. The Office cannot exceed the statutory cap within a fiscal quarter. The current cap of 117.6 is equal to the actual FTE count for fiscal 2010 when the Office was attempting to staff at the level of 126, the FTE cap at the time.

4.B. Exceptional Items Strategy Allocation Schedule

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012

TIME: 2:20:11PM

Agency code: 479

Agency name: State Office of Risk Management

| Code | Description | Excp 2014 | Excp 2015 |
|--|---|--|------------------|
| Item Name: | | Workers' Compensation Claims Management System Redesign(CCI) | |
| Allocation to Strategy: | | 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs | |
| EFFICIENCY MEASURES: | | | |
| | <u>1</u> Cost Per Hour of Direct Risk Management Service Provided | 0.00 | 0.00 |
| OBJECTS OF EXPENSE: | | | |
| 1001 | SALARIES AND WAGES | 280,000 | 280,000 |
| 2009 | OTHER OPERATING EXPENSE | 10,000 | 0 |
| 5000 | CAPITAL EXPENDITURES | 90,000 | 30,000 |
| TOTAL, OBJECT OF EXPENSE | | \$380,000 | \$310,000 |
| METHOD OF FINANCING: | | | |
| | 777 Interagency Contracts | 380,000 | 310,000 |
| TOTAL, METHOD OF FINANCING | | \$380,000 | \$310,000 |
| FULL-TIME EQUIVALENT POSITIONS (FTE): | | 4.0 | 4.0 |

4.B. Exceptional Items Strategy Allocation Schedule

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012

TIME: 2:20:11PM

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

| Code | Description | Excp 2014 | Excp 2015 |
|--------------------------------------|--|--|--|
| Item Name: | | Workers' Compensation Claims Management System Redesign(CCI) | |
| Allocation to Strategy: | | 1-2-1 | Review Claims, Determine Liability and Pay Eligible Claims |
| STRATEGY IMPACT ON OUTCOME MEASURES: | | | |
| 1 | Cost of Workers' Compensation Per Covered State Employee | 3.22 | 2.07 |
| 2 | Cost of Workers' Compensation Coverage per \$100 State Payroll | 0.01 | 0.01 |
| EFFICIENCY MEASURES: | | | |
| 1 | Average Cost to Administer Claim | 0.00 | 0.00 |
| OBJECTS OF EXPENSE: | | | |
| 5000 | CAPITAL EXPENDITURES | 210,000 | 70,000 |
| TOTAL, OBJECT OF EXPENSE | | \$210,000 | \$70,000 |
| METHOD OF FINANCING: | | | |
| 777 | Interagency Contracts | 210,000 | 70,000 |
| TOTAL, METHOD OF FINANCING | | \$210,000 | \$70,000 |

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

| Code | Description | Excp 2014 | Excp 2015 |
|---|-------------------------|-----------------|-----------------|
| Item Name: Workstations Upgrade | | | |
| Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs | | | |
| 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

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**

TIME: **2:20:11PM**

Agency code: **479**

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

| Code | Description | Excp 2014 | Excp 2015 |
|---|--|-----------------|-----------------|
| 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 | 0.49 | 0.49 |
| <u>2</u> | Cost of Workers' Compensation Coverage per \$100 State Payroll | 0.00 | 0.00 |
| 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 |

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

| Code | Description | Excp 2014 | Excp 2015 |
|-----------------------------------|-----------------------|--|------------|
| Item Name: | | Statutory Increase to Executive Director's Salary Limit | |
| Allocation to Strategy: | | 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs | |
| OBJECTS OF EXPENSE: | | | |
| 1001 | SALARIES AND WAGES | 0 | 0 |
| TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | |
| 777 | Interagency Contracts | 0 | 0 |
| TOTAL, METHOD OF FINANCING | | \$0 | \$0 |

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

| Code | Description | Excp 2014 | Excp 2015 |
|-----------------------------------|-----------------------|--|------------|
| Item Name: | | Statutory Increase to Executive Director's Salary Limit | |
| Allocation to Strategy: | | 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims | |
| OBJECTS OF EXPENSE: | | | |
| 1001 | SALARIES AND WAGES | 0 | 0 |
| TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | |
| 777 | Interagency Contracts | 0 | 0 |
| TOTAL, METHOD OF FINANCING | | \$0 | \$0 |

| Agency code: 479 | | Agency name: State Office of Risk Management | |
|---|-----------------------|--|-----------------|
| Code | Description | Excp 2014 | Excp 2015 |
| Item Name: Voice Interactive Response System | | | |
| Allocation to Strategy: 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs | | | |
| OBJECTS OF EXPENSE: | | | |
| 5000 | CAPITAL EXPENDITURES | 14,400 | 14,400 |
| TOTAL, OBJECT OF EXPENSE | | \$14,400 | \$14,400 |
| METHOD OF FINANCING: | | | |
| 777 | Interagency Contracts | 14,400 | 14,400 |
| TOTAL, METHOD OF FINANCING | | \$14,400 | \$14,400 |

4.B. Exceptional Items Strategy Allocation Schedule

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012

TIME: 2:20:11PM

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

| Code | Description | Excp 2014 | Excp 2015 |
|--|--|-----------------|-----------------|
| Item Name: | | | |
| Voice Interactive Response System | | | |
| 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 | 0.26 | 0.26 |
| OBJECTS OF EXPENSE: | | | |
| 5000 | CAPITAL EXPENDITURES | 33,600 | 33,600 |
| TOTAL, OBJECT OF EXPENSE | | \$33,600 | \$33,600 |
| METHOD OF FINANCING: | | | |
| 777 | Interagency Contracts | 33,600 | 33,600 |
| TOTAL, METHOD OF FINANCING | | \$33,600 | \$33,600 |

| Agency code: 479 | | Agency name: State Office of Risk Management | |
|--|---------------------------|--|--|
| Code | Description | Excp 2014 | Excp 2015 |
| Item Name: | | Increase in the FTE Cap to 121 | |
| Allocation to Strategy: | | 1-1-1 | Assist/Review/Monitor Agencies' Risk Management Programs |
| OBJECTS OF EXPENSE: | | | |
| | 1001 SALARIES AND WAGES | 0 | 0 |
| TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | |
| | 777 Interagency Contracts | 0 | 0 |
| TOTAL, METHOD OF FINANCING | | \$0 | \$0 |
| FULL-TIME EQUIVALENT POSITIONS (FTE): | | 1.4 | 1.4 |

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

| Code | Description | Excp 2014 | Excp 2015 |
|--|--|------------|------------|
| Item Name: | | | |
| | Increase in the FTE Cap to 121 | | |
| Allocation to Strategy: | | | |
| | 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims | | |
| OBJECTS OF EXPENSE: | | | |
| | 1001 SALARIES AND WAGES | 0 | 0 |
| TOTAL, OBJECT OF EXPENSE | | \$0 | \$0 |
| METHOD OF FINANCING: | | | |
| | 777 Interagency Contracts | 0 | 0 |
| TOTAL, METHOD OF FINANCING | | \$0 | \$0 |
| FULL-TIME EQUIVALENT POSITIONS (FTE): | | 2.0 | 2.0 |

4.C. Exceptional Items Strategy Request
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:11PM

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 2014 | Excp 2015 |
|------|-------------|-----------|-----------|
|------|-------------|-----------|-----------|

OBJECTS OF EXPENSE:

| | | | |
|----------------------------------|-------------------------|------------------|------------------|
| 1001 | SALARIES AND WAGES | 280,000 | 280,000 |
| 2009 | OTHER OPERATING EXPENSE | 37,000 | 27,000 |
| 5000 | CAPITAL EXPENDITURES | 104,400 | 44,400 |
| Total, Objects of Expense | | \$421,400 | \$351,400 |

METHOD OF FINANCING:

| | | | |
|---------------------------------|-----------------------|------------------|------------------|
| 777 | Interagency Contracts | 421,400 | 351,400 |
| Total, Method of Finance | | \$421,400 | \$351,400 |

FULL-TIME EQUIVALENT POSITIONS (FTE):

| | |
|-----|-----|
| 5.4 | 5.4 |
|-----|-----|

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Workers' Compensation Claims Management System Redesign(CCI)
Workstations Upgrade
Statutory Increase to Executive Director's Salary Limit
Voice Interactive Response System
Increase in the FTE Cap to 121

4.C. Exceptional Items Strategy Request
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:11PM

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 2014 | Excp 2015 |
|------|-------------|-----------|-----------|
|------|-------------|-----------|-----------|

STRATEGY IMPACT ON OUTCOME MEASURES:

| | | | |
|----------|--|--------|--------|
| <u>1</u> | Cost of Workers' Compensation Per Covered State Employee | 271.97 | 272.82 |
| <u>2</u> | Cost of Workers' Compensation Coverage per \$100 State Payroll | 0.74 | 0.75 |

OBJECTS OF EXPENSE:

| | | | |
|----------------------------------|-------------------------|------------------|------------------|
| 2009 | OTHER OPERATING EXPENSE | 63,000 | 63,000 |
| 5000 | CAPITAL EXPENDITURES | 243,600 | 103,600 |
| Total, Objects of Expense | | \$306,600 | \$166,600 |

METHOD OF FINANCING:

| | | | |
|---------------------------------|-----------------------|------------------|------------------|
| 777 | Interagency Contracts | 306,600 | 166,600 |
| Total, Method of Finance | | \$306,600 | \$166,600 |

FULL-TIME EQUIVALENT POSITIONS (FTE):

| | |
|-----|-----|
| 2.0 | 2.0 |
|-----|-----|

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Workers' Compensation Claims Management System Redesign(CCI)
Workstations Upgrade
Statutory Increase to Executive Director's Salary Limit
Voice Interactive Response System
Increase in the FTE Cap to 121

5.A. Capital Budget Project Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME : **2:20:12PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

| OOE / TOF / MOF CODE | | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|---------------------------------------|------------|------------|------------|------------|
| 5005 Acquisition of Information Resource Technologies | | | | | |
| <i>2/2 Claims Managment System Redesign, CCI</i> | | | | | |
| OBJECTS OF EXPENSE | | | | | |
| <u>Capital</u> | | | | | |
| General | 5000 CAPITAL EXPENDITURES | \$0 | \$0 | \$0 | \$0 |
| | Capital Subtotal OOE, Project 2 | \$0 | \$0 | \$0 | \$0 |
| <u>Informational</u> | | | | | |
| General | 1001 SALARIES AND WAGES | \$0 | \$0 | \$0 | \$0 |
| General | 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>Capital</u> | | | | | |
| General | CA 777 Interagency Contracts | \$0 | \$0 | \$0 | \$0 |
| | Capital Subtotal TOF, Project 2 | \$0 | \$0 | \$0 | \$0 |
| <u>Informational</u> | | | | | |
| General | 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 Replace SORM workstations.</i> | | | | | |
| OBJECTS OF EXPENSE | | | | | |
| <u>Informational</u> | | | | | |

5.A. Capital Budget Project Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME : **2:20:12PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

| OOE / TOF / MOF CODE | | | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|-----------------------------|--------|--|-----------------|-----------------|----------------|----------------|
| General | 2009 | OTHER OPERATING EXPENSE | \$0 | \$0 | \$0 | \$0 |
| | | Informational Subtotal OOE, Project 3 | \$0 | \$0 | \$0 | \$0 |
| | | Subtotal OOE, Project 3 | \$0 | \$0 | \$0 | \$0 |
| | | TYPE OF FINANCING | | | | |
| | | <u>Informational</u> | | | | |
| General | CA 777 | Interagency Contracts | \$0 | \$0 | \$0 | \$0 |
| | | Informational Subtotal TOF, Project 3 | \$0 | \$0 | \$0 | \$0 |
| | | Subtotal TOF, Project 3 | \$0 | \$0 | \$0 | \$0 |
| | | <i>4/4 Voice Interactive Response System</i> | | | | |
| | | OBJECTS OF EXPENSE | | | | |
| | | <u>Capital</u> | | | | |
| General | 5000 | CAPITAL EXPENDITURES | \$0 | \$0 | \$0 | \$0 |
| | | Capital Subtotal OOE, Project 4 | \$0 | \$0 | \$0 | \$0 |
| | | Subtotal OOE, Project 4 | \$0 | \$0 | \$0 | \$0 |
| | | TYPE OF FINANCING | | | | |
| | | <u>Capital</u> | | | | |
| General | CA 777 | Interagency Contracts | \$0 | \$0 | \$0 | \$0 |
| | | Capital Subtotal TOF, Project 4 | \$0 | \$0 | \$0 | \$0 |
| | | Subtotal TOF, Project 4 | \$0 | \$0 | \$0 | \$0 |

5.A. Capital Budget Project Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME : **2:20:12PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

| OOE / TOF / MOF CODE | | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|---------------------------|------------|------------|------------|------------|
| 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> | | | | | |
| General | 777 Interagency Contracts | \$0 | \$0 | \$0 | \$0 |
| Total, Method of Financing-Capital | | \$0 | \$0 | \$0 | \$0 |
| <u>Informational</u> | | | | | |
| General | 777 Interagency Contracts | \$0 | \$0 | \$0 | \$0 |
| Total, Method of Financing-Informational | | \$0 | \$0 | \$0 | \$0 |
| Total, Method of Financing | | \$0 | \$0 | \$0 | \$0 |

5.A. Capital Budget Project Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2012**
TIME : **2:20:12PM**

Agency code: **479**

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

Category Code / Category Name

Project Sequence/Project Id/ Name

| OOE / TOF / MOF CODE | | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|---------------------------|------------|------------|------------|------------|
| TYPE OF FINANCING: | | | | | |
| <u>Capital</u> | | | | | |
| General | CA CURRENT APPROPRIATIONS | \$0 | \$0 | \$0 | \$0 |
| Total, Type of Financing-Capital | | \$0 | \$0 | \$0 | \$0 |
| <u>Informational</u> | | | | | |
| General | CA CURRENT APPROPRIATIONS | \$0 | \$0 | \$0 | \$0 |
| Total, Type of Financing-Informational | | \$0 | \$0 | \$0 | \$0 |
| Total,Type of Financing | | \$0 | \$0 | \$0 | \$0 |

479 State Office of Risk Management

| Category Code / Category Name <i>Project Number / Name</i> OOE / TOF / MOF CODE | | Excp 2014 | Excp 2015 |
|---|--|-----------|-----------|
| 5005 | Acquisition of Information Resource Technologies | | |
| 2 | <u>Claims Mgmt System Redesign, CCI</u> | | |
| | Objects of Expense | | |
| 1001 | SALARIES AND WAGES | 280,000 | 280,000 |
| 2009 | OTHER OPERATING EXPENSE | 10,000 | 0 |
| 5000 | CAPITAL EXPENDITURES | 300,000 | 100,000 |
| Subtotal OOE, Project | 2 | 590,000 | 380,000 |
| | Type of Financing | | |
| CA | 777 Interagency Contracts | 290,000 | 280,000 |
| CA | 777 Interagency Contracts | 300,000 | 100,000 |
| Subtotal TOF, Project | 2 | 590,000 | 380,000 |
| 3 | <u>Workstations Upgrade</u> | | |
| | Objects of Expense | | |
| 2009 | OTHER OPERATING EXPENSE | 90,000 | 90,000 |
| Subtotal OOE, Project | 3 | 90,000 | 90,000 |
| | Type of Financing | | |
| CA | 777 Interagency Contracts | 90,000 | 90,000 |
| Subtotal TOF, Project | 3 | 90,000 | 90,000 |
| 4 | <u>VIRS</u> | | |
| | Objects of Expense | | |
| 5000 | CAPITAL EXPENDITURES | 48,000 | 48,000 |
| Subtotal OOE, Project | 4 | 48,000 | 48,000 |
| | Type of Financing | | |
| CA | 777 Interagency Contracts | 48,000 | 48,000 |
| Subtotal TOF, Project | 4 | 48,000 | 48,000 |

479 State Office of Risk Management

| Category Code / Category Name <i>Project Number / Name</i> | | | |
|---|-------------|----------------|----------------|
| OOE / TOF / MOF CODE | | Excp 2014 | Excp 2015 |
| Subtotal Category | 5005 | | |
| | | 728,000 | 518,000 |
| AGENCY TOTAL | | 728,000 | 518,000 |
| METHOD OF FINANCING: | | | |
| 777 Interagency Contracts | | 728,000 | 518,000 |
| Total, Method of Financing | | 728,000 | 518,000 |
| TYPE OF FINANCING: | | | |
| CA CURRENT APPROPRIATIONS | | 728,000 | 518,000 |
| Total, Type of Financing | | 728,000 | 518,000 |

5.B. Capital Budget Project Information
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:12PM

| | | | |
|------------------|-------------|----------------|---|
| Agency Code: | 479 | Agency name: | State Office of Risk Management |
| Category Number: | 5005 | Category Name: | ACQUISITN INFO RES TECH. |
| Project number: | 2 | Project Name: | Claims Mgmt System Redesign, CCI |

PROJECT DESCRIPTION

General Information

SORM's work is done mostly on a mainframe based system, that is 17 years old. While maintenance is done on the system regularly, it is becoming increasingly difficult for our system to interface with more modern systems and requirements. We hope to move our processing to a more current platform, that intereacts with our numerous partners.

Number of Units / Average Unit Cost N/A

Estimated Completion Date 08/31/2015

| | | |
|--|-------------|-------------|
| Additional Capital Expenditure Amounts Required | 2016 | 2017 |
| | 140,000 | 140,000 |

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 20 Years

Estimated/Actual Project Cost \$970,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

| | | | | | |
|--|-------------|-------------|-------------|-------------|------------------------------------|
| | 2014 | 2015 | 2016 | 2017 | Total over project life |
| | 0 | 0 | 0 | 0 | 0 |

REVENUE GENERATION / COST SAVINGS

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

Explanation: We expect no direct savings or earnings from the redesign . There will be lost productivity over time if we do not modernize our process. SORM staff spends \$millions, it is essential that we not be hampered by antiquated system.

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

Beneficiaries: Injured workers, medical providers and SORM employees .

Frequency of Use and External Factors Affecting Use:

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

5.B. Capital Budget Project Information
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:12PM

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

PROJECT DESCRIPTION

General Information

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

Number of Units / Average Unit Cost 120/\$1,500

Estimated Completion Date 12/31/2015

| | | |
|--|-------------|-------------|
| Additional Capital Expenditure Amounts Required | 2016 | 2017 |
| | 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

| | | | | | |
|--|-------------|-------------|-------------|-------------|------------------------------------|
| | 2014 | 2015 | 2016 | 2017 | Total over project life |
| | 0 | 0 | 0 | 0 | 0 |

REVENUE GENERATION / COST SAVINGS

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

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, as well as mitigate loss .

5.B. Capital Budget Project Information
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2012
TIME: 2:20:12PM

| | | | |
|------------------|-------------|----------------|--|
| Agency Code: | 479 | Agency name: | State Office of Risk Management |
| Category Number: | 5005 | Category Name: | ACQUISITN INFO RES TECH. |
| Project number: | 4 | Project Name: | VIRS |

PROJECT DESCRIPTION

General Information

SORM would like to expand our call center to include a voice interactive response system. Callers could find out basic information about their claims without needing to speak with SORM's staff.

Number of Units / Average Unit Cost N/A

Estimated Completion Date 12/31/2015

| | | |
|--|-------------|-------------|
| Additional Capital Expenditure Amounts Required | 2016 | 2017 |
| | 50,000 | 50,000 |

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 20 Years

Estimated/Actual Project Cost \$364,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

| | | | | | |
|--|-------------|-------------|-------------|-------------|------------------------------------|
| | 2014 | 2015 | 2016 | 2017 | Total over project life |
| | 0 | 0 | 0 | 0 | 0 |

REVENUE GENERATION / COST SAVINGS

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

Explanation: We expect no savings or earnings from the phone system. This will be a service for claimants and providers, allowing them phone access to their own benefits and/or claims.

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 fields hundreds of phone calls daily.

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

Category Code/Name

Project Sequence/Project Id/Name

| Goal/Obj/Str | Strategy Name | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|--|---|----------|----------|---------|---------|
| 5005 Acquisition of Information Resource Technologies | | | | | |
| 2/2 | <i>Claims Mgmt System Redesign, CCI</i> | | | | |
| <u>GENERAL BUDGET</u> | | | | | |
| Capital | 1-1-1 RISK MANAGEMENT PROGRAM | 0 | 0 | \$0 | \$0 |
| | 1-2-1 PAY WORKERS' COMPENSATION | 0 | 0 | 0 | 0 |
| Informational | 1-1-1 RISK MANAGEMENT PROGRAM | 0 | 0 | 0 | 0 |
| | TOTAL, PROJECT | \$0 | \$0 | \$0 | \$0 |
| 3/3 Workstations Upgrade | | | | | |
| <u>GENERAL BUDGET</u> | | | | | |
| Informational | 1-1-1 RISK MANAGEMENT PROGRAM | 0 | 0 | 0 | 0 |
| | 1-2-1 PAY WORKERS' COMPENSATION | 0 | 0 | 0 | 0 |
| | TOTAL, PROJECT | \$0 | \$0 | \$0 | \$0 |
| 4/4 VIRS | | | | | |
| <u>GENERAL BUDGET</u> | | | | | |
| Capital | 1-1-1 RISK MANAGEMENT PROGRAM | 0 | 0 | 0 | 0 |
| | 1-2-1 PAY WORKERS' COMPENSATION | 0 | 0 | 0 | 0 |
| | TOTAL, PROJECT | \$0 | \$0 | \$0 | \$0 |
| | TOTAL CAPITAL, ALL PROJECTS | \$0 | \$0 | \$0 | \$0 |
| | TOTAL INFORMATIONAL, ALL PROJECTS | \$0 | \$0 | \$0 | \$0 |
| | TOTAL, ALL PROJECTS | \$0 | \$0 | \$0 | \$0 |

479 State Office of Risk Management

Category Code/Name

Project Number/Name

| Goal/Obj/Str | | | | Strategy Name | Excp 2014 | Excp 2015 |
|---|---|---|--|----------------------------------|-----------|-----------|
| 5005 Acquisition of Information Resource Technologies | | | | | | |
| 2 | | | | Claims Mgmt System Redesign, CCI | | |
| 1 | 1 | 1 | | RISK MANAGEMENT PROGRAM | 280,000 | 280,000 |
| 1 | 1 | 1 | | RISK MANAGEMENT PROGRAM | 10,000 | 0 |
| 1 | 1 | 1 | | RISK MANAGEMENT PROGRAM | 90,000 | 30,000 |
| 1 | 2 | 1 | | PAY WORKERS' COMPENSATION | 210,000 | 70,000 |
| TOTAL, PROJECT | | | | | 590,000 | 380,000 |
| | | | | | | |
| 3 | | | | 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 |
| | | | | | | |
| 4 | | | | VIRS | | |
| 1 | 1 | 1 | | RISK MANAGEMENT PROGRAM | 14,400 | 14,400 |
| 1 | 2 | 1 | | PAY WORKERS' COMPENSATION | 33,600 | 33,600 |
| TOTAL, PROJECT | | | | | 48,000 | 48,000 |
| TOTAL, ALL PROJECTS | | | | | 728,000 | 518,000 |

6.A. Historically Underutilized Business Supporting Schedule
83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/24/2012**
Time: **2:20:13PM**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2010 - 2011 HUB Expenditure Information

| Statewide HUB Goals | Procurement Category | % Goal | HUB Expenditures FY 2010 | | | Total Expenditures | | HUB Expenditures FY 2011 | | | Total Expenditures | |
|------------------------|---------------------------|---------|--------------------------|------|------------------|-----------------------|--------|--------------------------|-------|------------------|-----------------------|--|
| | | | % Actual | Diff | Actual \$ | FY 2010 | % Goal | % Actual | Diff | Actual \$ | FY 2011 | |
| 20.0% | Professional Services | 100.0 % | 100.0% | 0.0% | \$43,605 | \$43,605 | 0.0 % | 0.0% | 0.0% | \$0 | \$0 | |
| 33.0% | Other Services | 12.3 % | 12.4% | 0.1% | \$256,322 | \$2,073,820 | 1.5 % | 1.4% | -0.1% | \$27,307 | \$1,884,633 | |
| 12.6% | Commodities | 81.1 % | 81.2% | 0.1% | \$65,982 | \$81,284 | 88.8 % | 88.8% | 0.0% | \$154,949 | \$174,420 | |
| | Total Expenditures | | 16.6% | | \$365,909 | \$2,198,709 | | 8.9% | | \$182,256 | \$2,059,053 | |

B. Assessment of Fiscal Year 2010 - 2011 Efforts to Meet HUB Procurement Goals

Attainment:

The agency exceeded two of three, or 60% of the applicable statewide HUB procurement goals in FY 2010. The agency exceeded one of the three or 20% applicable statewide HUB procurement goals in FY 2011.

Applicability:

The Heavy Construction, Building Construction, or Special Trades categories are not applicable to agency operations. During fiscal year 2011 there were no expenditures in the Professional Services category.

Factors Affecting Attainment:

SORM has been authorized by the Legislature to procure statewide insurance contracts which state agencies and universities may utilize in order to mitigate risk and save taxpayer dollars. This has presented a challenge to the agency as the insurance industry's business practices do not readily lend themselves to subcontracting opportunities. The purchase of an insurance policy is an intangible product, unlike purchasing a commodity or a service. Most policy services are conventionally provided internally in the insurance industry. This, coupled with the scope of exposures presented by the State of Texas, does limit the number of available markets and thus subcontracting opportunities. SORM's Cost Containment, Director's and Officer's, Property, and Volunteer Insurance contracts are the largest that the agency awards. All were awarded to Non HUB vendors performing the work without subcontracting. There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

"Good-Faith" Efforts:

SORM attained an overall HUB percentage of 16.6% in FY10 and 8.85% in FY11. SORMs' written purchasing procedures require solicitation of HUB vendors & include HUB Subcontracting Plans for purchases over \$100,000 over the term of the contract including any renewals. In order to meet the requirements of TAC Rule §20.13 SORM developed their own HUB goals consistent with the Disparity Study findings and the agency's unique purchasing requirements.

Agency code: **479**

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

| Strategy | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| 1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs | | | | | |
| OBJECTS OF EXPENSE: | | | | | |
| 1001 SALARIES AND WAGES | \$182,015 | \$189,077 | \$191,539 | \$191,539 | \$191,539 |
| 1002 OTHER PERSONNEL COSTS | 5,120 | 5,440 | 5,520 | 5,520 | 5,520 |
| 2001 PROFESSIONAL FEES AND SERVICES | 541 | 710 | 662 | 662 | 662 |
| 2003 CONSUMABLE SUPPLIES | 599 | 597 | 556 | 556 | 556 |
| 2005 TRAVEL | 4,478 | 4,399 | 4,097 | 4,097 | 4,097 |
| 2006 RENT - BUILDING | 21 | 16 | 15 | 15 | 15 |
| 2007 RENT - MACHINE AND OTHER | 518 | 516 | 481 | 481 | 481 |
| 2009 OTHER OPERATING EXPENSE | 10,245 | 82,555 | 55,591 | 60,628 | 60,628 |
| Total, Objects of Expense | \$203,537 | \$283,310 | \$258,461 | \$263,498 | \$263,498 |
| METHOD OF FINANCING: | | | | | |
| 777 Interagency Contracts | 203,537 | 283,310 | 258,461 | 263,498 | 263,498 |
| Total, Method of Financing | \$203,537 | \$283,310 | \$258,461 | \$263,498 | \$263,498 |
| FULL-TIME-EQUIVALENT POSITIONS (FTE): | 2.2 | 2.2 | 2.2 | 2.2 | 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.

Agency code: **479**

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

| Strategy | | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|---------------------------------------|--------------------------------|--|-----------|-----------|-----------|-----------|
| 1-2-1 | | Review Claims, Determine Liability and Pay Eligible Claims | | | | |
| OBJECTS OF EXPENSE: | | | | | | |
| 1001 | SALARIES AND WAGES | \$182,015 | \$188,906 | \$191,539 | \$191,539 | \$191,539 |
| 1002 | OTHER PERSONNEL COSTS | 2,000 | 2,280 | 2,280 | 2,280 | 2,280 |
| 2001 | PROFESSIONAL FEES AND SERVICES | 47,747 | 51,870 | 51,287 | 51,287 | 51,287 |
| 2003 | CONSUMABLE SUPPLIES | 543 | 601 | 595 | 595 | 595 |
| 2004 | UTILITIES | 0 | 17 | 16 | 16 | 16 |
| 2005 | TRAVEL | 1,549 | 2,003 | 1,419 | 1,419 | 1,419 |
| 2006 | RENT - BUILDING | 15 | 14 | 18 | 18 | 18 |
| 2007 | RENT - MACHINE AND OTHER | 428 | 452 | 447 | 447 | 447 |
| 2009 | OTHER OPERATING EXPENSE | 10,260 | 29,582 | 26,679 | 27,115 | 27,115 |
| Total, Objects of Expense | | \$244,557 | \$275,725 | \$274,280 | \$274,716 | \$274,716 |
| METHOD OF FINANCING: | | | | | | |
| 777 | Interagency Contracts | 244,557 | 275,725 | 274,280 | 274,716 | 274,716 |
| Total, Method of Financing | | \$244,557 | \$275,725 | \$274,280 | \$274,716 | \$274,716 |
| FULL-TIME-EQUIVALENT POSITIONS (FTE): | | 2.3 | 2.3 | 2.3 | 2.3 | 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.

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

| | Exp 2011 | Est 2012 | Bud 2013 | BL 2014 | BL 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| GRAND TOTALS | | | | | |
| Objects of Expense | | | | | |
| 1001 SALARIES AND WAGES | \$364,030 | \$377,983 | \$383,078 | \$383,078 | \$383,078 |
| 1002 OTHER PERSONNEL COSTS | \$7,120 | \$7,720 | \$7,800 | \$7,800 | \$7,800 |
| 2001 PROFESSIONAL FEES AND SERVICES | \$48,288 | \$52,580 | \$51,949 | \$51,949 | \$51,949 |
| 2003 CONSUMABLE SUPPLIES | \$1,142 | \$1,198 | \$1,151 | \$1,151 | \$1,151 |
| 2004 UTILITIES | \$0 | \$17 | \$16 | \$16 | \$16 |
| 2005 TRAVEL | \$6,027 | \$6,402 | \$5,516 | \$5,516 | \$5,516 |
| 2006 RENT - BUILDING | \$36 | \$30 | \$33 | \$33 | \$33 |
| 2007 RENT - MACHINE AND OTHER | \$946 | \$968 | \$928 | \$928 | \$928 |
| 2009 OTHER OPERATING EXPENSE | \$20,505 | \$112,137 | \$82,270 | \$87,743 | \$87,743 |
| Total, Objects of Expense | \$448,094 | \$559,035 | \$532,741 | \$538,214 | \$538,214 |
| Method of Financing | | | | | |
| 777 Interagency Contracts | \$448,094 | \$559,035 | \$532,741 | \$538,214 | \$538,214 |
| Total, Method of Financing | \$448,094 | \$559,035 | \$532,741 | \$538,214 | \$538,214 |
| Full-Time-Equivalent Positions (FTE) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |