



# *Legislative Appropriations Request for Fiscal Years 2012 and 2013*

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

by

*STATE OFFICE of RISK MANAGEMENT*

August 23, 2010

*TABLE OF CONTENTS*

Letter of Certification .....3  
Administrator’s Statement .....5  
Organizational Chart .....10  
Descriptions of Functional Units .....11  
Summary of Base Request by Strategy .....14  
Summary of Base Request by Method of Finance.....15  
Summary of Base Request by Object of Expense .....19  
Summary of Base Request Objective Outcomes .....20  
Summary of Total Request by Strategy .....21  
Summary of Total Request Objective Outcomes.....23  
Strategy Request .....24  
Rider Revisions and Additions Request .....30  
Capital Budget Project Schedule .....32  
Capital Budget Project Information .....35  
Capital Budget Allocation to Strategies.....37  
Capital Budget Operating and Maintenance Expenses .....38  
Historically Underutilized Business Supporting Schedule .....39  
Direct Administrative and Support Costs .....41  
Workers’ Compensation Claim Payments (40A)  
    Summary of Base Request by Strategy .....45  
    Summary of Base Request by Method of Finance.....46  
    Summary of Base Request by Object of Expense .....49  
    Summary of Total Request by Strategy .....50  
    Strategy Request .....52  
    Rider Revisions and Additions Request .....55





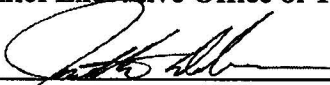
## CERTIFICATE

**Agency Name** State Office of Risk Management

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

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the GOBPP will be notified in writing in accordance with Article IX, Section 7.01 (2010-11 GAA).

**Chief Executive Office or Presiding Judge**

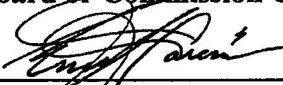
  
\_\_\_\_\_  
Signature

Jonathan D. Bow  
\_\_\_\_\_  
Printed Name

Executive Director  
\_\_\_\_\_  
Title

August 24, 2010  
\_\_\_\_\_  
Date

**Board or Commission Chair**

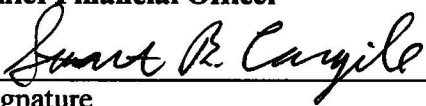
  
\_\_\_\_\_  
Signature

Ernest C. Garcia  
\_\_\_\_\_  
Printed Name

Chairman, Board of Directors  
\_\_\_\_\_  
Title

August 24, 2010  
\_\_\_\_\_  
Date

**Chief Financial Officer**

  
\_\_\_\_\_  
Signature

Stuart B. Cargile  
\_\_\_\_\_  
Printed Name

Director of Fund Accounting  
\_\_\_\_\_  
Title

August 24, 2010  
\_\_\_\_\_  
Date



## **Administrator's Statement**

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

The primary focus of this legislative appropriation request for the biennium beginning September 1, 2011, is to protect safety and health and to serve injured state employees while continuing to support the fiscal controls that have reduced the State's costs by over \$25 million per year.

### **AGENCY BACKGROUND**

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

The Office provides services to all state agencies subject to Chapters 412 and 501 of the Texas Labor Code, with the exception of the Texas A&M and University of Texas systems, and the Texas Department of Transportation (these entities operate separate workers' compensation and risk management programs pursuant to Texas Labor Code Chapters 502, 503, and 505, respectively).

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

- administer the workers' compensation insurance program for state employees established under Chapter 501, Texas Labor Code;
- operate as a full-service risk manager and insurance manager for state agencies;
- maintain and review records of property, casualty, or liability insurance coverages purchased by or for state agencies;

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

## **AGENCY FUNDING SOURCES**

The Office is funded by Interagency Contracts that establish annual assessments to state agencies pursuant to Chapter 412, Texas Labor Code. The assessments, similar to annual premiums, are determined by a formula based on historic FTE, payroll, claims, and claims cost data. As of September 1, 2009 the Office no longer receives any General Revenue funding.

The shift to IAC funding has had the effect of reducing the cost of the Office's operations to General Revenue and of shifting those costs proportionately to the agencies that utilize our services. The additional costs which have been passed on to state agencies have been substantially offset by the reductions in claims losses the Office's financial controls have produced.

## **EXCEPTIONAL ITEMS**

The State Office of Risk Management is seeking no exceptional items.

## **AGENCY ADMINISTRATION**

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

Ernest C. Garcia, J.D., Chairman  
Austin, Texas  
Term to expire February 1, 2015

Ronald J. Walenta, Vice Chairman  
Quitman, Texas  
Term to expire February 1, 2011

Kenneth N. Mitchell  
El Paso, Texas  
Term to expire February 1, 2015

Ruben W. Hope, Jr.  
Montgomery, Texas  
Term to expire February 1, 2013

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 state agency. The Board reports to each Legislature on the methods to reduce the exposure of state agencies to the risks of property and liability losses, including workers' compensation losses; the operation, financing, and management of those risks; and the handling of claims brought against the State. The Board is also responsible for oversight and for hiring the Executive Director of the Office who manages agency operations.

**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 |
|----------------|-----------------------------------|-----------------------|-------------------------|---------------------------------|
| 2009           | 0                                 | \$176                 | \$0                     | 0.0                             |
| 2010           | 1                                 | \$304                 | \$0                     | 0.84                            |
| Biennium Total | 1                                 | \$480                 | \$0                     | 0.42                            |

## **Conclusion**

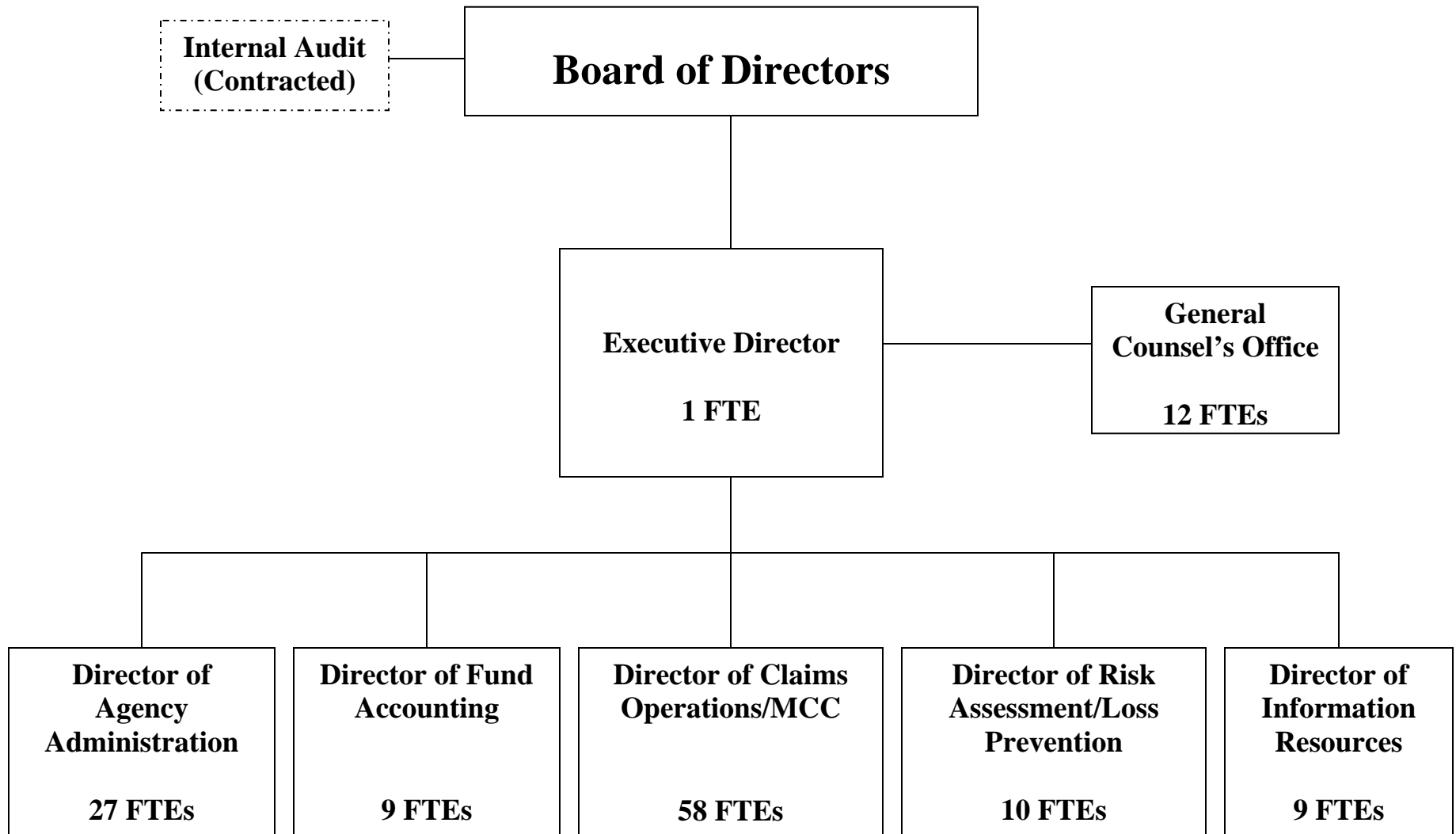
Effective oversight is the key to protecting the state's employees and resources and minimizing losses. We look forward to presenting our appropriation request during the session.

Respectfully,

A handwritten signature in black ink, appearing to read "Jonathan D. Bow". The signature is fluid and cursive, with a long horizontal stroke 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 Risk Manager and administrator of the State's workers' compensation insurance program, and is responsible for the day-to-day oversight of all the agency's functions.

### **General Counsel:**

General Counsel provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies. This division consists of several sections, including Governmental Relations, whose primary duty is maintaining the Office's relationship with other governmental entities including the Legislature. Dispute Resolution is responsible for the central coordination of the Office's participation in administrative hearings before the Texas Department of Insurance, Division of Workers' Compensation. The Subrogation unit is responsible for the recovery of workers' compensation benefits, medical costs, and other expenses paid on behalf of State employees injured in the course and scope of employment due to the negligence of a third party. Investigations gathers information about workers' compensation fraud and abuse and may assist claims adjusters in claim investigation..

### **Agency Administration:**

Agency Administration consists of Office Administration, Customer Service, Document Management, and Agency Outreach and Training.

The Office Administration section processes all procurement requests, agency travel arrangements, and subsequent reimbursement for travel expenses, oversees the agency's fixed assets, and coordinates all telecommunications and building maintenance requests. All human resource functions reside with Office Administration, including personnel actions and leave accounting.

The Document Management section is responsible for the initial setup and data entry of injury claims received, as well as the maintenance of all inactive claim files. The Director of Agency Administration serves as the agency's Customer Service Liaison and Records Retention Officer.

Agency Outreach and Training provides health, & safety, and risk management training for state agencies and their employees. Agencies may choose between classroom training and instructional videos delivered online. This section also assembles and maintains technical online documents and manuals, such as the "Claims Coordinator's Handbook," and produces the quarterly Office newsletter Risk-Tex.

### **Fund Accounting:**

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

### **Claims Operations:**

The Claims Operations division is divided into claims units, a Customer Service Call Center, a Quality Assurance Unit, and a Medical Cost Containment Unit. Client agencies are assigned to specified claims units.

Upon receipt of the file, Claims Operations performs the initial investigation of each reported injury and determines compensability. Claims Operations follows all claims until their conclusion to ensure each 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, Medical Audit, and Disability Management teams.

### **Risk Assessment and Loss Prevention:**

The Risk Assessment and Loss Prevention (RALP) section provides risk management, insurance, and loss control services to the Office's client 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. Risk management program reviews are also performed to determine the status of state agency efforts to develop and implement comprehensive risk management programs. The section develops and provides risk management guidelines, model risk management manuals, programs, and procedures for use by state agencies. The RALP section also assists state agencies with accident/incident reviews and analysis.

The Office oversees the State's Insurance Program for client agencies. Texas state agencies are required to purchase insurance coverage only through the Office, providing a statewide program has been implemented for that line of insurance. Insurance specialists perform specialized reviews on all submitted and renewed insurance proposals for coverages, limits, insurer financial stability, loss controls, necessity, and appropriateness. Insurance specialists assist agencies throughout the entire procurement process by providing exposure analysis, assisting with application completion, and, if needed, providing program presentations to agency executive management. Claims management assistance is provided for all sponsored lines. Insurance specialists also provide insurance expertise and assistance to state agencies on insurance requirements for vendors/contractors. The Office also has oversight responsibilities involving fidelity and notary bonds.

## **Information Resources:**

The Office's Information Resources division maintains and enhances the Claims Management System (CMS) used to adjust and pay claims for injured workers and the imaging system that indexes millions of pages of claims related documents. The Division provides reports to state agencies to aid them in fulfilling claims reporting requirements and determine the frequency and severity of claims and losses, and to establish historical trend information to help reduce injuries and to determine projections of minimum and maximum probable losses. RMIS (Risk Management Information System), an interactive internet based website, allows agencies to create their own basic reports, and to report agency and claims information electronically. The division also provides desktop computer support and support for the Office's divisions for the various other systems used:

- Claims Management System (CMS) – An internally developed software that provides claims management and the accounting business functions;
- Risk Management Information System (RMIS) – An internally developed software that provides state agencies with end user functionality for reporting to both the Risk Assessment and Loss Prevention and Claims Operations divisions;
- Filenet – Customized software that stores and indexes scanned claims documents.

**2.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:35:13AM**

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

| <b>Goal / Objective / STRATEGY</b>                 | <b>Exp 2009</b>    | <b>Est 2010</b>    | <b>Bud 2011</b>    | <b>Req 2012</b>    | <b>Req 2013</b>    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>1</b> Manage Workers' Compensation Costs        |                    |                    |                    |                    |                    |
| <b>1</b> Risk Management                           |                    |                    |                    |                    |                    |
| <b>1</b> RISK MANAGEMENT PROGRAM                   | 1,905,446          | 2,139,422          | 2,133,771          | 2,133,771          | 2,133,771          |
| <b>2</b> Claims Administration                     |                    |                    |                    |                    |                    |
| <b>1</b> PAY WORKERS' COMPENSATION                 | 5,567,211          | 6,900,083          | 6,644,143          | 6,644,143          | 6,644,143          |
| <b>TOTAL, GOAL 1</b>                               | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>TOTAL, AGENCY STRATEGY REQUEST</b>              | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b> |                    |                    |                    | <b>\$0</b>         | <b>\$0</b>         |
| <b>GRAND TOTAL, AGENCY REQUEST</b>                 | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>METHOD OF FINANCING:</b>                        |                    |                    |                    |                    |                    |
| <b>General Revenue Funds:</b>                      |                    |                    |                    |                    |                    |
| 1 General Revenue Fund                             | 3,863,496          | 0                  | 0                  | 0                  | 0                  |
| <b>SUBTOTAL</b>                                    | <b>\$3,863,496</b> | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         |
| <b>Other Funds:</b>                                |                    |                    |                    |                    |                    |
| 666 Appropriated Receipts                          | 1,973              | 2,127              | 0                  | 0                  | 0                  |
| 777 Interagency Contracts                          | 3,607,188          | 9,037,378          | 8,777,914          | 8,777,914          | 8,777,914          |
| <b>SUBTOTAL</b>                                    | <b>\$3,609,161</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>TOTAL, METHOD OF FINANCING</b>                  | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |

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

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:37:13AM**

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

| METHOD OF FINANCING   | Exp 2009           | Est 2010   | Bud 2011   | Req 2012   | Req 2013   |
|---|--------------------|------------|------------|------------|------------|
| <b><u>GENERAL REVENUE</u></b>                                   |                    |            |            |            |            |
| <b><u>1</u></b> General Revenue Fund                            |                    |            |            |            |            |
| <i>REGULAR APPROPRIATIONS</i>                                   |                    |            |            |            |            |
| Regular Appropriations from MOF Table (2008-09 GAA)             | \$3,580,198        | \$0        | \$0        | \$0        | \$0        |
| <i>RIDER APPROPRIATION</i>                                      |                    |            |            |            |            |
| Art IX, Sec 19.62, (a), Pg IX-85 2% salary incr (2008-09 GAA)   | \$190,498          | \$0        | \$0        | \$0        | \$0        |
| HB 4586, 81st Leg., R.S., Sec 89 Retention payment amt of \$800 | \$92,800           | \$0        | \$0        | \$0        | \$0        |
| <b>TOTAL, General Revenue Fund</b>                              | <b>\$3,863,496</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>TOTAL, ALL GENERAL REVENUE</b>                               | <b>\$3,863,496</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**OTHER FUNDS**

**666** Appropriated Receipts

*RIDER APPROPRIATION*

Art IX, Sec 8.03, Reimbursements and Payments (2008-09 GAA)

\$1,973 \$0 \$0 \$0 \$0

Art IX, Sec 8.03, Reimbursements and Payments (2010-11 GAA)

\$0 \$2,127 \$0 \$0 \$0



**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:37:22AM**

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

| METHOD OF FINANCING  | Exp 2009       | Est 2010       | Bud 2011    | Req 2012    | Req 2013    |
|--|----------------|----------------|-------------|-------------|-------------|
| <b><u>OTHER FUNDS</u></b>  |                |                |             |             |             |
| <b>TOTAL, Appropriated Receipts</b>                              | <b>\$1,973</b> | <b>\$2,127</b> | <b>\$0</b>  | <b>\$0</b>  | <b>\$0</b>  |
| <b><u>777</u> Interagency Contracts</b>                          |                |                |             |             |             |
| <i>REGULAR APPROPRIATIONS</i>                                    |                |                |             |             |             |
| Regular Appropriations from MOF Table                            | \$0            | \$0            | \$0         | \$8,777,914 | \$8,777,914 |
| Regular Appropriations from MOF Table (2008-09 GAA)              | \$4,764,440    | \$0            | \$0         | \$0         | \$0         |
| Regular Appropriations from MOF Table (2010-11 GAA)              | \$0            | \$9,033,914    | \$8,777,914 | \$0         | \$0         |
| <i>LAPSED APPROPRIATIONS</i>                                     |                |                |             |             |             |
| Lapsed Appropriation-Authority Only for U.B.                     | \$(601,328)    | \$(1,159,110)  | \$0         | \$0         | \$0         |
| <i>UNEXPENDED BALANCES AUTHORITY</i>                             |                |                |             |             |             |
| H.B. 1, 80th Leg., Art I, Rider 2, Page I-81 (2008-09 GAA)       | \$599,828      | \$0            | \$0         | \$0         | \$0         |
| H.B. 1, 80th Leg., Art I, Rider 2, Page I-81 (2008-09 GAA)       | \$6,822        | \$0            | \$0         | \$0         | \$0         |
| S.B. 1, 81st Leg., R.S., Art I, Rider 3, Page I-80 (2010-11 GAA) | \$(1,159,110)  | \$1,159,110    | \$0         | \$0         | \$0         |

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:37:22AM**

|  |   |                    |                    |                    |                    |
|--|---|--------------------|--------------------|--------------------|--------------------|
| Agency code: <b>479</b>  | Agency name: <b>State Office of Risk Management</b> |                    |                    |                    |                    |
| <b>METHOD OF FINANCING</b>                                       | <b>Exp 2009</b>                                     | <b>Est 2010</b>    | <b>Bud 2011</b>    | <b>Req 2012</b>    | <b>Req 2013</b>    |
| <b><u>OTHER FUNDS</u></b>  |   |                    |                    |                    |                    |
| S.B. 1, 81st Leg., R.S., Art I, Rider 3, Page I-80 (2010-11 GAA) |   |                    |                    |                    |                    |
|  | \$ (3,464)  | \$ 3,464           | \$ 0               | \$ 0               | \$ 0               |
| <b>TOTAL, Interagency Contracts</b>                              | <b>\$3,607,188</b>                                  | <b>\$9,037,378</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>TOTAL, ALL OTHER FUNDS</b>                                    | <b>\$3,609,161</b>                                  | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>GRAND TOTAL</b>   | <b>\$7,472,657</b>                                  | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |

**FULL-TIME-EQUIVALENT POSITIONS**

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>REGULAR APPROPRIATIONS</b>                          |              |              |              |              |              |
| Regular Appropriations from MOF Table (2008-09 GAA)    | 122.0        | 0.0          | 0.0          | 0.0          | 0.0          |
| Regular Appropriations from MOF Table (2010-11 GAA)    | 0.0          | 126.0        | 126.0        | 0.0          | 0.0          |
| Regular Appropriations from MOF Table                  | 0.0          | 0.0          | 0.0          | 126.0        | 126.0        |
| <b>UNAUTHORIZED NUMBER OVER (BELOW) CAP</b>            |              |              |              |              |              |
| H.B. 1, 80th Leg., R.S. Art I, Page I-80 (2008-09 GAA) | (5.2)        | 0.0          | 0.0          | 0.0          | 0.0          |
| S.B.1, 81st Leg., R.S. Art I, Page I-79(2010-11 GAA)   | 0.0          | (6.4)        | 0.0          | 0.0          | 0.0          |
| <b>TOTAL, ADJUSTED FTES</b>                            | <b>116.8</b> | <b>119.6</b> | <b>126.0</b> | <b>126.0</b> | <b>126.0</b> |

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
TIME: **8:37:22AM**

---

|   |   |                 |                 |                 |                 |
|---|---|-----------------|-----------------|-----------------|-----------------|
| Agency code: <b>479</b>                     | Agency name: <b>State Office of Risk Management</b> |                 |                 |                 |                 |
| <b>METHOD OF FINANCING</b>                  | <b>Exp 2009</b>                                     | <b>Est 2010</b> | <b>Bud 2011</b> | <b>Req 2012</b> | <b>Req 2013</b> |
| <b>NUMBER OF 100% FEDERALLY FUNDED FTEs</b> | <b>0.0</b>  | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      | <b>0.0</b>      |

**2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:40:40AM**

| Agency code: <b>479</b>             |                    | Agency name: <b>State Office of Risk Management</b> |                    |                    |                    |
|-------------------------------------|--------------------|---|--------------------|--------------------|--------------------|
| <b>OBJECT OF EXPENSE</b>            | <b>Exp 2009</b>    | <b>Est 2010</b>                                     | <b>Bud 2011</b>    | <b>BL 2012</b>     | <b>BL 2013</b>     |
| 1001 SALARIES AND WAGES             | \$5,080,449        | \$5,504,415   | \$5,616,440        | \$5,616,439        | \$5,616,439        |
| 1002 OTHER PERSONNEL COSTS          | \$137,961          | \$219,652   | \$160,914          | \$160,914          | \$160,914          |
| 2001 PROFESSIONAL FEES AND SERVICES | \$1,662,219        | \$2,452,856   | \$2,376,917        | \$2,376,918        | \$2,376,918        |
| 2003 CONSUMABLE SUPPLIES            | \$49,575           | \$38,586  | \$47,086           | \$47,086           | \$47,086           |
| 2004 UTILITIES                      | \$4,008            | \$2,327   | \$2,327            | \$2,327            | \$2,327            |
| 2005 TRAVEL                         | \$137,954          | \$131,968   | \$138,968          | \$138,968          | \$138,968          |
| 2006 RENT - BUILDING                | \$1,237            | \$720   | \$720              | \$720              | \$720              |
| 2007 RENT - MACHINE AND OTHER       | \$42,131           | \$29,821  | \$23,821           | \$23,821           | \$23,821           |
| 2009 OTHER OPERATING EXPENSE        | \$357,123          | \$409,160   | \$410,721          | \$410,721          | \$410,721          |
| 5000 CAPITAL EXPENDITURES           | \$0                | \$250,000   | \$0                | \$0                | \$0                |
| <b>OOE Total (Excluding Riders)</b> | <b>\$7,472,657</b> | <b>\$9,039,505</b>                                  | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>OOE Total (Riders)</b>           |                    |   |                    |                    |                    |
| <b>Grand Total</b>                  | <b>\$7,472,657</b> | <b>\$9,039,505</b>                                  | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |

**2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : **8/25/2010**

Time: **8:38:15AM**

Agency code: **479**

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

| Goal/ Objective / Outcome  | Exp 2009 | Est 2010 | Bud 2011 | BL 2012 | BL 2013 |
|--|----------|----------|----------|---------|---------|
| 1 Manage Workers' Compensation Costs   |          |          |          |         |         |
| 1 Risk Management  |          |          |          |         |         |
| <b>KEY</b> <b>1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b> |          |          |          |         |         |
|  | 3.87%    | 3.83%    | 4.00%    | 4.00%   | 4.00%   |
| 2 Claims Administration  |          |          |          |         |         |
| <b>KEY</b> <b>1 Cost of Workers' Compensation Per Covered State Employee</b>                 |          |          |          |         |         |
|  | 275.81   | 263.25   | 290.00   | 295.00  | 298.00  |
| <b>KEY</b> <b>2 Cost of Workers' Compensation Coverage per \$100 State Payroll</b>           |          |          |          |         |         |
|  | 0.76     | 0.73     | 0.95     | 0.96    | 0.97    |

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/25/2010  
 TIME : 8:38:44AM

| Agency code: 479                                  |                    | Agency name: State Office of Risk Management |                     |                     |                       |                       |
|---|--------------------|--|---------------------|---------------------|-----------------------|-----------------------|
| Goal/Objective/STRATEGY                           | Base<br>2012       | Base<br>2013                                 | Exceptional<br>2012 | Exceptional<br>2013 | Total Request<br>2012 | Total Request<br>2013 |
| <b>1</b> Manage Workers' Compensation Costs       |                    |  |                     |                     |                       |                       |
| <b>1</b> Risk Management                          |                    |  |                     |                     |                       |                       |
| <b>1</b> RISK MANAGEMENT PROGRAM                  | \$2,133,771        | \$2,133,771                                  | \$0                 | \$0                 | \$2,133,771           | \$2,133,771           |
| <b>2</b> Claims Administration                    |                    |  |                     |                     |                       |                       |
| <b>1</b> PAY WORKERS' COMPENSATION                | 6,644,143          | 6,644,143                                    | 0                   | 0                   | 6,644,143             | 6,644,143             |
| <b>TOTAL, GOAL 1</b>                              | <b>\$8,777,914</b> | <b>\$8,777,914</b>                           | <b>\$0</b>          | <b>\$0</b>          | <b>\$8,777,914</b>    | <b>\$8,777,914</b>    |
| <b>TOTAL, AGENCY STRATEGY REQUEST</b>             | <b>\$8,777,914</b> | <b>\$8,777,914</b>                           | <b>\$0</b>          | <b>\$0</b>          | <b>\$8,777,914</b>    | <b>\$8,777,914</b>    |
| <b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b> |                    |  |                     |                     |                       |                       |
| <b>GRAND TOTAL, AGENCY REQUEST</b>                | <b>\$8,777,914</b> | <b>\$8,777,914</b>                           | <b>\$0</b>          | <b>\$0</b>          | <b>\$8,777,914</b>    | <b>\$8,777,914</b>    |

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/25/2010**  
 TIME : **8:38:54AM**

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

| <b>Goal/Objective/STRATEGY</b>        | <b>Base<br/>2012</b> | <b>Base<br/>2013</b> | <b>Exceptional<br/>2012</b> | <b>Exceptional<br/>2013</b> | <b>Total Request<br/>2012</b> | <b>Total Request<br/>2013</b> |
|---------------------------------------|----------------------|----------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>General Revenue Funds:</b>         |                      |                      |                             |                             |                               |                               |
| 1 General Revenue Fund                | \$0                  | \$0                  | \$0                         | \$0                         | \$0                           | \$0                           |
|                                       | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$0</b>                    | <b>\$0</b>                    |
| <b>Other Funds:</b>                   |                      |                      |                             |                             |                               |                               |
| 666 Appropriated Receipts             | 0                    | 0                    | 0                           | 0                           | 0                             | 0                             |
| 777 Interagency Contracts             | 8,777,914            | 8,777,914            | 0                           | 0                           | 8,777,914                     | 8,777,914                     |
|                                       | <b>\$8,777,914</b>   | <b>\$8,777,914</b>   | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$8,777,914</b>            | <b>\$8,777,914</b>            |
| <b>TOTAL, METHOD OF FINANCING</b>     | <b>\$8,777,914</b>   | <b>\$8,777,914</b>   | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$8,777,914</b>            | <b>\$8,777,914</b>            |
| <b>FULL TIME EQUIVALENT POSITIONS</b> | <b>126.0</b>         | <b>126.0</b>         | <b>0.0</b>                  | <b>0.0</b>                  | <b>126.0</b>                  | <b>126.0</b>                  |

**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/25/2010  
Time: 8:39:25AM

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

Goal/ Objective / Outcome

|            |   | <b>BL<br/>2012</b> | <b>BL<br/>2013</b> | <b>Excp<br/>2012</b> | <b>Excp<br/>2013</b> | <b>Total<br/>Request<br/>2012</b> | <b>Total<br/>Request<br/>2013</b> |
|------------|---|--------------------|--------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| 1          | Manage Workers' Compensation Costs  |                    |                    |                      |                      |                                   |                                   |
| 1          | <i>Risk Management</i>  |                    |                    |                      |                      |                                   |                                   |
| <b>KEY</b> | <b>1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b> |                    |                    |                      |                      |                                   |                                   |
|            |   | 4.00%              | 4.00%              |                      |                      | 4.00%                             | 4.00%                             |
| 2          | <i>Claims Administration</i>  |                    |                    |                      |                      |                                   |                                   |
| <b>KEY</b> | <b>1 Cost of Workers' Compensation Per Covered State Employee</b>                 |                    |                    |                      |                      |                                   |                                   |
|            |   | 295.00             | 298.00             |                      |                      | 295.00                            | 298.00                            |
| <b>KEY</b> | <b>2 Cost of Workers' Compensation Coverage per \$100 State Payroll</b>           |                    |                    |                      |                      |                                   |                                   |
|            |   | 0.96               | 0.97               |                      |                      | 0.96                              | 0.97                              |



**3.A. STRATEGY REQUEST**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:39:55AM

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

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

| CODE                               | DESCRIPTION   | Exp 2009           | Est 2010           | Bud 2011           | BL 2012            | BL 2013            |
|------------------------------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Output Measures:</b>            |   |                    |                    |                    |                    |                    |
| KEY 1                              | Number of Written Risk Management Program Reviews Conducted         | 32.00              | 32.00              | 32.00              | 32.00              | 32.00              |
| KEY 2                              | Number of On-site Consultations Conducted                           | 250.00             | 253.00             | 250.00             | 250.00             | 250.00             |
|                                    | 3 Number of Risk Management Training Sessions Conducted             | 285.00             | 218.00             | 266.00             | 265.00             | 265.00             |
| <b>Efficiency Measures:</b>        |   |                    |                    |                    |                    |                    |
|                                    | 1 Cost Per Hour of Direct Risk Management Service Provided          | 82.95              | 81.58              | 90.00              | 90.00              | 90.00              |
| <b>Explanatory/Input Measures:</b> |   |                    |                    |                    |                    |                    |
|                                    | 1 Percentage of Total Assessments Collected Used for Claim Payments | 97.84 %            | 99.83 %            | 99.90 %            | 100.00 %           | 100.00 %           |
| <b>Objects of Expense:</b>         |   |                    |                    |                    |                    |                    |
| 1001                               | SALARIES AND WAGES  | \$1,634,603        | \$1,763,492        | \$1,834,281        | \$1,834,280        | \$1,834,280        |
| 1002                               | OTHER PERSONNEL COSTS   | \$51,813           | \$71,587           | \$63,086           | \$63,086           | \$63,086           |
| 2001                               | PROFESSIONAL FEES AND SERVICES                                      | \$18,922           | \$9,994            | \$14,994           | \$14,995           | \$14,995           |
| 2003                               | CONSUMABLE SUPPLIES   | \$11,995           | \$11,383           | \$11,883           | \$11,883           | \$11,883           |
| 2004                               | UTILITIES   | \$2,341            | \$1,689            | \$1,689            | \$1,689            | \$1,689            |
| 2005                               | TRAVEL  | \$75,794           | \$75,654           | \$76,654           | \$76,654           | \$76,654           |
| 2006                               | RENT - BUILDING   | \$216              | \$216              | \$216              | \$216              | \$216              |
| 2007                               | RENT - MACHINE AND OTHER  | \$12,639           | \$8,146            | \$7,146            | \$7,146            | \$7,146            |
| 2009                               | OTHER OPERATING EXPENSE   | \$97,123           | \$122,261          | \$123,822          | \$123,822          | \$123,822          |
| 5000                               | CAPITAL EXPENDITURES  | \$0                | \$75,000           | \$0                | \$0                | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b>    |   | <b>\$1,905,446</b> | <b>\$2,139,422</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> |
| <b>Method of Financing:</b>        |   |                    |                    |                    |                    |                    |
|                                    | 1 General Revenue Fund  | \$84,879           | \$0                | \$0                | \$0                | \$0                |

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:40:06AM

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

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

| CODE   | DESCRIPTION           | Exp 2009           | Est 2010           | Bud 2011           | BL 2012            | BL 2013            |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>       |                       | <b>\$84,879</b>    | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         |
| <b>Method of Financing:</b>                        |                       |                    |                    |                    |                    |                    |
| 666  | Appropriated Receipts | \$457              | \$781              | \$0                | \$0                | \$0                |
| 777  | Interagency Contracts | \$1,820,110        | \$2,138,641        | \$2,133,771        | \$2,133,771        | \$2,133,771        |
| <b>SUBTOTAL, MOF (OTHER FUNDS)</b>                 |                       | <b>\$1,820,567</b> | <b>\$2,139,422</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |                       |                    |                    |                    | <b>\$2,133,771</b> | <b>\$2,133,771</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |                       | <b>\$1,905,446</b> | <b>\$2,139,422</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> | <b>\$2,133,771</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>             |                       | <b>33.0</b>        | <b>32.6</b>        | <b>33.5</b>        | <b>33.5</b>        | <b>33.5</b>        |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Executive Director of the Office serves as the State Risk Manager. The Office provides services to 140 state agencies and 122 Community Supervision and Corrections Departments (CSCDs). The Office's programs cover roughly 186,000 state employees, \$13.8 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: assisting state agencies in identifying, evaluating, and reducing potential liability exposure and liability losses, including workers' compensation losses; reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies; providing risk management training for state agencies; and collecting and reporting risk and loss information to lawmakers, decision makers and executives.

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

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:40:06AM

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 |

| <b>CODE</b> | <b>DESCRIPTION</b> | <b>Exp 2009</b> | <b>Est 2010</b> | <b>Bud 2011</b> | <b>BL 2012</b> | <b>BL 2013</b> |
|-------------|--------------------|-----------------|-----------------|-----------------|----------------|----------------|
|-------------|--------------------|-----------------|-----------------|-----------------|----------------|----------------|

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; inadequate training and/or support for risk managers at client agencies; inadequate business continuity planning resulting in failure to achieve an agency's core mission; 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); fluctuations in injury frequency rates due to changing exposures; and greater demands on the Office respecting risk management issues beyond health and safety issues.

The internal factors that are likely to impact risk management efforts are: inability to maintain current staffing levels with appropriate risk management skills and expertise; rising travel costs affecting the Office's ability to meet its performance measures by reducing capacity to perform Risk Management Program Reviews & On-Site Consultations; and ability of current staff to maintain increasingly detailed client agency information.

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:40:06AM

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

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

| CODE                            | DESCRIPTION                                       | Exp 2009           | Est 2010           | Bud 2011           | BL 2012            | BL 2013            |
|---------------------------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Output Measures:</b>         |   |                    |                    |                    |                    |                    |
| 1                               | Number of Initial Eligibility Determinations Made | 8,089.00           | 8,041.09           | 8,100.00           | 8,100.00           | 8,100.00           |
| KEY 2                           | Number of Medical Bills Processed                 | 120,852.00         | 117,627.27         | 118,500.00         | 118,500.00         | 118,500.00         |
| KEY 3                           | Number of Indemnity Bills Paid                    | 36,357.00          | 36,288.00          | 36,500.00          | 36,500.00          | 36,500.00          |
| <b>Efficiency Measures:</b>     |   |                    |                    |                    |                    |                    |
| KEY 1                           | Average Cost to Administer Claim                  | 575.31             | 598.91             | 618.13             | 620.00             | 620.00             |
| <b>Objects of Expense:</b>      |   |                    |                    |                    |                    |                    |
| 1001                            | SALARIES AND WAGES                                | \$3,445,846        | \$3,740,923        | \$3,782,159        | \$3,782,159        | \$3,782,159        |
| 1002                            | OTHER PERSONNEL COSTS                             | \$86,148           | \$148,065          | \$97,828           | \$97,828           | \$97,828           |
| 2001                            | PROFESSIONAL FEES AND SERVICES                    | \$1,643,297        | \$2,442,862        | \$2,361,923        | \$2,361,923        | \$2,361,923        |
| 2003                            | CONSUMABLE SUPPLIES                               | \$37,580           | \$27,203           | \$35,203           | \$35,203           | \$35,203           |
| 2004                            | UTILITIES   | \$1,667            | \$638              | \$638              | \$638              | \$638              |
| 2005                            | TRAVEL  | \$62,160           | \$56,314           | \$62,314           | \$62,314           | \$62,314           |
| 2006                            | RENT - BUILDING                                   | \$1,021            | \$504              | \$504              | \$504              | \$504              |
| 2007                            | RENT - MACHINE AND OTHER                          | \$29,492           | \$21,675           | \$16,675           | \$16,675           | \$16,675           |
| 2009                            | OTHER OPERATING EXPENSE                           | \$260,000          | \$286,899          | \$286,899          | \$286,899          | \$286,899          |
| 5000                            | CAPITAL EXPENDITURES                              | \$0                | \$175,000          | \$0                | \$0                | \$0                |
| <b>TOTAL, OBJECT OF EXPENSE</b> |   | <b>\$5,567,211</b> | <b>\$6,900,083</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> |

**Method of Financing:**

|  |                      |                    |            |            |            |            |
|--|----------------------|--------------------|------------|------------|------------|------------|
| 1  | General Revenue Fund | \$3,778,617        | \$0        | \$0        | \$0        | \$0        |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b> |                      | <b>\$3,778,617</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**Method of Financing:**

|     |                       |             |             |             |             |             |
|-----|-----------------------|-------------|-------------|-------------|-------------|-------------|
| 666 | Appropriated Receipts | \$1,516     | \$1,346     | \$0         | \$0         | \$0         |
| 777 | Interagency Contracts | \$1,787,078 | \$6,898,737 | \$6,644,143 | \$6,644,143 | \$6,644,143 |

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:40:06AM

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

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

| CODE   | DESCRIPTION | Exp 2009           | Est 2010           | Bud 2011           | BL 2012            | BL 2013            |
|--|-------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>SUBTOTAL, MOF (OTHER FUNDS)</b>                 |             | <b>\$1,788,594</b> | <b>\$6,900,083</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |             |                    |                    |                    | <b>\$6,644,143</b> | <b>\$6,644,143</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |             | <b>\$5,567,211</b> | <b>\$6,900,083</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> | <b>\$6,644,143</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>             |             | <b>83.8</b>        | <b>87.0</b>        | <b>92.5</b>        | <b>92.5</b>        | <b>92.5</b>        |

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Office provides workers' compensation claims administration services to all state agencies (excepting TxDOT, and the UT and A&M University Systems). Both ERS & TRS may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions. The number of state agencies participating in the state's workers' compensation program has been relatively stable but declining at 140 entities, and will decrease in the event of agency consolidations. The number of current covered FTEs has increased from 147,847 in FY92 to 186,322 in FY09. State employees are geographically distributed throughout the state with concentrations in the major metropolitan areas .

The Office's responsibilities include: operating a self-insured workers' compensation program for the State of Texas pursuant to the Labor Code and Division of Workers' Compensation/Texas Department of Insurance (DWC/TDI) regulations; receiving and investigating reports of injury; determining compensability and paying income and medical benefits as due; reviewing medical bills to determine reasonableness, necessity, and compliance with DWC fee guidelines; appearing as an adversary before DWC and the courts and presenting the legal defenses; developing and/or procuring and adopting a TDI-credentialed workers' compensation healthcare network, if appropriate; preparing reports for the Legislature on workers' compensation claims information; and providing workers' compensation training for state agencies .

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The external factors that are likely to impact the workers' compensation program are: demographic changes affecting the number and severity of injuries; rising medical and indemnity costs; legislation and rulemaking requiring additional resources for compliance (including potential exposure to penalties by TDI/DWC); and loss of PPO and PBM savings after January 1, 2011 that currently reduce State medical expenditures.

The internal factors that are likely to impact the workers' compensation program are: new strategies to offset rising costs and overutilization; skilled staff retention; increasing contractual complexity requiring specialized expertise; and increasing reliance on technology for efficiencies.

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:40:06AM

---

**SUMMARY TOTALS:**

|   |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>OBJECTS OF EXPENSE:</b>                    | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>METHODS OF FINANCE (INCLUDING RIDERS):</b> |                    |                    |                    | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>METHODS OF FINANCE (EXCLUDING RIDERS):</b> | <b>\$7,472,657</b> | <b>\$9,039,505</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> | <b>\$8,777,914</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>        | <b>116.8</b>       | <b>119.6</b>       | <b>126.0</b>       | <b>126.0</b>       | <b>126.0</b>       |

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

|                            |  |  |                            |                               |
|----------------------------|--|--|----------------------------|-------------------------------|
| <b>Agency Code:</b><br>479 | <b>Agency Name:</b><br>State Office of Risk Management | <b>Prepared By:</b><br>Stuart B. Cargile | <b>Date:</b><br>08/23/2010 | <b>Request Level:</b><br>Base |
|----------------------------|--|--|----------------------------|-------------------------------|

| Current Rider Number | Page Number in 2010-11 GAA | Proposed Rider Language |
|----------------------|----------------------------|-------------------------|
|----------------------|----------------------------|-------------------------|

2

I-80

**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.

|   | 2010      | 2011  |
|---|-----------|-------|
| a. Acquisition of Information Resource Technologies     |           |       |
| (1) Scanner Upgrade                                     | \$70,000  | \$ UB |
| (2) Workstations Upgrade                                | \$180,000 | \$ UB |
| Total, Acquisition of Information Resource Technologies | \$250,000 | \$ UB |
| Total, Capital Budget                                   | \$250,000 | \$ UB |

*This rider is not necessary for the 2012/2013 biennium.*

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

3 I-80

#### **Appropriation of Unexpended Balances.**

Any unexpended balances remaining as of August 31, ~~2010~~ 2012, 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, ~~2010~~ 2012, 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 ~~2011~~ 2013.

Any unobligated balances remaining as of August 31, ~~2009~~ 2011, ~~estimated to be \$250,000~~ in Interagency Contracts, are hereby appropriated 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, ~~2009~~ 2011.

*The requested revisions update the rider for the 2012/2013 biennium.*

4 I-80

#### **Insurable State Asset Study.**

By January 1, ~~2011~~ 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.

*Economic variables have altered significantly since the study was contemplated by the Legislature and commenced by the Office. Additional research and consideration is advised prior to publication of proposal on option advisability.*

701 Article I

#### **Capital Expenditures Authorized.**

Notwithstanding the limitations placed on the expenditure of funds for capital budget items contained in this Act, the State Office of Risk Management is hereby authorized to expend funds appropriated to the State Office of Risk Management for the acquisition of capital budget items.

*This rider is requested to allow for unforeseen capital expenditures related to administration of workers' compensation claims during the biennium. Other agencies have similar riders in their bill pattern.*



Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

*Project Sequence/Project Id/ Name*

| OOE / TOF / MOF CODE   | Est 2010         | Bud 2011   | BL 2012    | BL 2013    |
|--|------------------|------------|------------|------------|
| <b>5005 Acquisition of Information Resource Technologies</b> |                  |            |            |            |
| <i>1/1 Workstations Upgrade</i>                              |                  |            |            |            |
| <b>OBJECTS OF EXPENSE</b>                                    |                  |            |            |            |
| <u>Informational</u>   |                  |            |            |            |
| General 2009 OTHER OPERATING EXPENSE                         | \$180,000        | \$0        | \$0        | \$0        |
| Informational Subtotal OOE, Project 1                        | \$180,000        | \$0        | \$0        | \$0        |
| Subtotal OOE, Project 1                                      | <b>\$180,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>TYPE OF FINANCING</b>                                     |                  |            |            |            |
| <u>Informational</u>   |                  |            |            |            |
| General CA 777 Interagency Contracts                         | \$180,000        | \$0        | \$0        | \$0        |
| Informational Subtotal TOF, Project 1                        | \$180,000        | \$0        | \$0        | \$0        |
| Subtotal TOF, Project 1                                      | <b>\$180,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <i>2/2 Scanner Upgrade</i>                                   |                  |            |            |            |
| <b>OBJECTS OF EXPENSE</b>                                    |                  |            |            |            |
| <u>Capital</u>   |                  |            |            |            |
| General 5000 CAPITAL EXPENDITURES                            | \$70,000         | \$0        | \$0        | \$0        |
| Capital Subtotal OOE, Project 2                              | \$70,000         | \$0        | \$0        | \$0        |
| Subtotal OOE, Project 2                                      | <b>\$70,000</b>  | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>TYPE OF FINANCING</b>                                     |                  |            |            |            |
| <u>Capital</u>   |                  |            |            |            |
| General CA 777 Interagency Contracts                         | \$70,000         | \$0        | \$0        | \$0        |
| Capital Subtotal TOF, Project 2                              | \$70,000         | \$0        | \$0        | \$0        |

Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

| <i>Project Sequence/Project Id/ Name</i> |                           | Est 2010         | Bud 2011   | BL 2012    | BL 2013    |
|--|---------------------------|------------------|------------|------------|------------|
| OOE / TOF / MOF CODE                     |                           |                  |            |            |            |
| Subtotal TOF, Project                    | 2                         | <b>\$70,000</b>  | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| Capital Subtotal, Category               | 5005                      | \$70,000         | \$0        | \$0        | \$0        |
| Informational Subtotal, Category         | 5005                      | \$180,000        | \$0        | \$0        | \$0        |
| <b>Total, Category</b>                   | <b>5005</b>               | <b>\$250,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>AGENCY TOTAL -CAPITAL</b>             |                           | <b>\$70,000</b>  | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>AGENCY TOTAL -INFORMATIONAL</b>       |                           | <b>\$180,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>AGENCY TOTAL</b>                      |                           | <b>\$250,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>METHOD OF FINANCING:</b>              |                           |                  |            |            |            |
| <u>Capital</u>                           |                           |                  |            |            |            |
| General                                  | 777 Interagency Contracts | \$70,000         | \$0        | \$0        | \$0        |
| Total, Method of Financing-Capital       |                           | \$70,000         | \$0        | \$0        | \$0        |
| <u>Informational</u>                     |                           |                  |            |            |            |
| General                                  | 777 Interagency Contracts | \$180,000        | \$0        | \$0        | \$0        |
| Total, Method of Financing-Informational |                           | \$180,000        | \$0        | \$0        | \$0        |
| <b>Total, Method of Financing</b>        |                           | <b>\$250,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Agency code: **479**

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

**Category Code / Category Name**

*Project Sequence/Project Id/ Name*

| <b>OOE / TOF / MOF CODE</b>            | <b>Est 2010</b>  | <b>Bud 2011</b> | <b>BL 2012</b> | <b>BL 2013</b> |
|--|------------------|-----------------|----------------|----------------|
| <b>TYPE OF FINANCING:</b>              |                  |                 |                |                |
| <u>Capital</u>                         |                  |                 |                |                |
| General CA CURRENT APPROPRIATIONS      | \$70,000         | \$0             | \$0            | \$0            |
| Total, Type of Financing-Capital       | \$70,000         | \$0             | \$0            | \$0            |
| <u>Informational</u>                   |                  |                 |                |                |
| General CA CURRENT APPROPRIATIONS      | \$180,000        | \$0             | \$0            | \$0            |
| Total, Type of Financing-Informational | \$180,000        | \$0             | \$0            | \$0            |
| <b>Total,Type of Financing</b>         | <b>\$250,000</b> | <b>\$0</b>      | <b>\$0</b>     | <b>\$0</b>     |

**5.B. CAPITAL BUDGET PROJECT INFORMATION**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:42:36AM**

|                  |             |                |  |
|------------------|-------------|----------------|--|
| Agency Code:     | <b>479</b>  | Agency name:   | <b>State Office of Risk Management</b> |
| Category Number: | <b>5005</b> | Category Name: | <b>ACQUISITN INFO RES TECH.</b>        |
| Project number:  | <b>1</b>    | Project Name:  | <b>Workstations Upgrade</b>            |

**PROJECT DESCRIPTION**

**General Information**

SORM replaces its workstations every 4 years; staff uses mainframe, document imaging and web applications to handle the 3000 claims that are being adjusted at any given time. It is crucial that their workstations do not impede them in processing the medical and indemnity payments associated with the claims, since the payments are between \$40 and 50 million each year.

**Number of Units / Average Unit Cost** 1452  
**Estimated Completion Date** 12/31/2010

|  |             |             |
|--|-------------|-------------|
| <b>Additional Capital Expenditure Amounts Required</b> | <b>2014</b> | <b>2015</b> |
|  | 93,000      | 93,000      |

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** 4 years

**Estimated/Actual Project Cost** \$ 186,000

**Length of Financing/ Lease Period**

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

|  | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>Total over<br/>project life</b> |
|--|-------------|-------------|-------------|-------------|------------------------------------|
|  | 0           | 0           | 0           | 0           | 0                                  |

**REVENUE GENERATION / COST SAVINGS**

| <b><u>REVENUE</u></b> | <b><u>COST FLAG</u></b> | <b><u>MOF_CODE</u></b> | <b><u>AVERAGE AMOUNT</u></b> |
|-----------------------|-------------------------|------------------------|------------------------------|
|                       |                         |                        |                              |

**Explanation:** SORM replaces workstations in tandem with the Attorney General's office, as much of our support is performed by them; our mainframe, email, document imaging and networks are maintained by them. Compatibility is crucial. We also seek uniformity in machines; we maintain 2 ghost images for all our users, which improves desktop support.

**Project Location:** SORM; 300 W 15th St, Austin

**Beneficiaries:** SORM staff

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

SORM staff uses workstations to work. They are used to adjust claims, pay benefits and document the entire process.

**5.B. CAPITAL BUDGET PROJECT INFORMATION**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:42:36AM**

|                  |             |                |  |
|------------------|-------------|----------------|--|
| Agency Code:     | <b>479</b>  | Agency name:   | <b>State Office of Risk Management</b> |
| Category Number: | <b>5005</b> | Category Name: | <b>ACQUISITN INFO RES TECH.</b>        |
| Project number:  | <b>2</b>    | Project Name:  | <b>Scanner Upgrade</b>                 |

**PROJECT DESCRIPTION**

**General Information**

SORM has obtained a robust scanning system and is finetuning the process with the purchase of some additional resources. We are constantly trying to move away from printed documents.

**Number of Units / Average Unit Cost** 70000

**Estimated Completion Date** 12/31/2010

|  |             |             |
|--|-------------|-------------|
| <b>Additional Capital Expenditure Amounts Required</b> | <b>2014</b> | <b>2015</b> |
|  | 0           | 0           |

**Type of Financing** CA CURRENT APPROPRIATIONS

**Projected Useful Life** 10 years

**Estimated/Actual Project Cost** \$ 70,000

**Length of Financing/ Lease Period**

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

|             |             |             |             |                                |
|-------------|-------------|-------------|-------------|--------------------------------|
| <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>Total over project life</b> |
| 0           | 0           | 0           | 0           | 0                              |

**REVENUE GENERATION / COST SAVINGS**

|                       |                         |                        |                              |
|-----------------------|-------------------------|------------------------|------------------------------|
| <b><u>REVENUE</u></b> | <b><u>COST FLAG</u></b> | <b><u>MOF_CODE</u></b> | <b><u>AVERAGE AMOUNT</u></b> |
|-----------------------|-------------------------|------------------------|------------------------------|

**Explanation:** Improved efficiency and use of space are the result of the improved scanning system. SORM administers expenses that are \$40-50 million annually, and it is important that SORM be able to utilize time saving modernizations.

**Project Location:** SORM document processing center.

**Beneficiaries:** Does not apply.

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

SORM uses scanners for up to a thousand documents per day, as well as scanning documents that are being stored for records retention purposes. Claim related documents have to be accessible for 30 years.

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

Category Code/Name

*Project Sequence/Project Id/Name*

| Goal/Obj/Str   | Strategy Name                            | Est 2010         | Bud 2011   | BL 2012    | BL 2013    |
|--|--|------------------|------------|------------|------------|
| <b>5005 Acquisition of Information Resource Technologies</b> |  |                  |            |            |            |
| <i>1/1 Workstations Upgrade</i>                              |  |                  |            |            |            |
| <b><u>GENERAL BUDGET</u></b>                                 |  |                  |            |            |            |
| Informational  | 1-1-1 RISK MANAGEMENT PROGRAM            | 54,000           | 0          | \$0        | \$0        |
|  | 1-2-1 PAY WORKERS' COMPENSATION          | 126,000          | 0          | 0          | 0          |
|  | TOTAL, PROJECT                           | \$180,000        | \$0        | \$0        | \$0        |
| <i>2/2 Scanner Upgrade</i>                                   |  |                  |            |            |            |
| <b><u>GENERAL BUDGET</u></b>                                 |  |                  |            |            |            |
| Capital  | 1-1-1 RISK MANAGEMENT PROGRAM            | 21,000           | 0          | 0          | 0          |
|  | 1-2-1 PAY WORKERS' COMPENSATION          | 49,000           | 0          | 0          | 0          |
|  | TOTAL, PROJECT                           | \$70,000         | \$0        | \$0        | \$0        |
|  | <b>TOTAL CAPITAL, ALL PROJECTS</b>       | <b>\$70,000</b>  | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
|  | <b>TOTAL INFORMATIONAL, ALL PROJECTS</b> | <b>\$180,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
|  | <b>TOTAL, ALL PROJECTS</b>               | <b>\$250,000</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**5.D. CAPITAL BUDGET OPERATING AND MAINTENANCE EXPENSES**

82nd Regular Session, Agency Submission, Version 1

**Automated Budget and Evaluation System of Texas (ABEST)**

DATE: 8/25/2010

TIME: 8:43:05AM

Agency Code: **479**      Agency name: **State Office of Risk Management**  
 Project Number: **1**      Project name: **Workstations Upgrade**

**Operating Expenses Estimates (For Information Only)**

| <b>CODE DESCRIPTION</b>                               | <b>2012</b> | <b>2013</b> | <b>2014</b>     | <b>2015</b>     |
|---|-------------|-------------|-----------------|-----------------|
| <b>OBJECTS OF EXPENSE:</b>                            |             |             |                 |                 |
| 2009 OTHER OPERATING EXPENSE                          | \$0         | \$0         | \$93,000        | \$93,000        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                       | <b>\$0</b>  | <b>\$0</b>  | <b>\$93,000</b> | <b>\$93,000</b> |
| <b>METHOD OF FINANCING:</b>                           |             |             |                 |                 |
| 777 Interagency Contracts                             | \$0         | \$0         | \$93,000        | \$93,000        |
| <b>TOTAL, METHOD OF FINANCING</b>                     | <b>\$0</b>  | <b>\$0</b>  | <b>\$93,000</b> | <b>\$93,000</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>                | 0.0         | 0.0         | 0.0             | 0.0             |
| <b>OPERATING COSTS DESCRIPTION AND JUSTIFICATION:</b> |             |             |                 |                 |

The refresh costs \$186,000 overall. All of SORM's PC's will be out of warrantee and to maintain full efficiency must be replaced.

**6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/25/2010**  
Time: **8:43:57AM**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2008 - 2009 HUB Expenditure Information**

| Statewide<br>HUB Goals | Procurement<br>Category    | HUB Expenditures FY 2008 |             |      |                  | Total<br>Expenditures<br>FY 2008 |          | HUB Expenditures FY 2009 |           |                  |                    | Total<br>Expenditures<br>FY 2009 |  |
|------------------------|----------------------------|--------------------------|-------------|------|------------------|----------------------------------|----------|--------------------------|-----------|------------------|--------------------|----------------------------------|--|
|                        |                            | % Goal                   | % Actual    | Diff | Actual \$        | % Goal                           | % Actual | Diff                     | Actual \$ |                  |                    |                                  |  |
| 11.9%                  | Heavy Construction         | 0.0 %                    | 0.0%        | 0.0% | \$0              | \$0                              | 0.0 %    | 0.0%                     | 0.0%      | \$0              | \$0                |                                  |  |
| 26.1%                  | Building Construction      | 0.0 %                    | 0.0%        | 0.0% | \$0              | \$0                              | 0.0 %    | 0.0%                     | 0.0%      | \$0              | \$0                |                                  |  |
| 57.2%                  | Special Trade Construction | 0.0 %                    | 0.0%        | 0.0% | \$0              | \$0                              | 0.0 %    | 0.0%                     | 0.0%      | \$0              | \$0                |                                  |  |
| 20.0%                  | Professional Services      | 100.0 %                  | 100.0%      | 0.0% | \$23,775         | \$23,775                         | 100.0 %  | 100.0%                   | 0.0%      | \$12,965         | \$12,965           |                                  |  |
| 33.0%                  | Other Services             | 6.1 %                    | 6.1%        | 0.0% | \$113,433        | \$1,866,385                      | 12.3 %   | 12.3%                    | 0.0%      | \$205,317        | \$1,666,007        |                                  |  |
| 12.6%                  | Commodities                | 63.7 %                   | 63.8%       | 0.1% | \$28,506         | \$44,689                         | 51.6 %   | 51.6%                    | 0.0%      | \$33,773         | \$65,393           |                                  |  |
|                        | <b>Total Expenditures</b>  |                          | <b>8.6%</b> |      | <b>\$165,714</b> | <b>\$1,934,849</b>               |          | <b>14.4%</b>             |           | <b>\$252,055</b> | <b>\$1,744,365</b> |                                  |  |

**B. Assessment of Fiscal Year 2008 - 2009 Efforts to Meet HUB Procurement Goals**

**Attainment:**

The agency exceeded two of three, or 60% of the applicable statewide HUB procurement goals in FY 2008.

The agency exceeded two of the three or 60% applicable statewide HUB procurement goals in FY 2009.

**Applicability:**

The Heavy Construction, Building Construction, or Special Trades categories were not applicable to agency operations in either fiscal year 2008 or 2009.

However, during fiscal year 2008 and 2009, there were minor purchases in the Professional Services category.

**Factors Affecting Attainment:**

SORM's Cost Containment, Director's and Officer's Insurance and Property Insurance contracts are the largest contracts that the agency holds, and they were awarded to Non HUB vendors.

There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

SORM has been authorized by the Legislature to procure statewide insurance contracts that state agencies and universities may utilize in order to save taxpayer dollars.

This has presented a challenge to the insurance industry as their business practices do not readily lend themselves to subcontracting opportunities.

The purchase of an insurance policy is an intangible product, unlike purchasing a commodity or a service. Most policy services are conventionally provided internally in the insurance industry.

This, coupled with the scope of exposures presented by the State of Texas, does limit the number of available markets and thus subcontracting opportunities.

**"Good-Faith" Efforts:**

The SORM attained an overall HUB percentage of 8.56% in FY08 and 14.4% in FY09. SORMs' written purchasing procedures require solicitation of HUB vendors and



**6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/25/2010**  
Time: **8:44:06AM**

---

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

include HUB Subcontracting Plans for purchases over \$100,000. Additionally, SORM made the following good faith efforts beyond the requirements of 1 TAC Section §20.13(c):

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

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

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

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

**7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS**

82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010

TIME : 8:44:28AM

Agency code: 479

Agency name: State Office of Risk Management

| Strategy  | Exp 2009          | Est 2010          | Bud 2011          | BL 2012           | BL 2013           |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs</b> |                   |                   |                   |                   |                   |
| <b>OBJECTS OF EXPENSE:</b>  |                   |                   |                   |                   |                   |
| 1001 SALARIES AND WAGES   | \$ 167,186        | \$ 181,223        | \$ 182,015        | \$ 182,015        | \$ 182,015        |
| 1002 OTHER PERSONNEL COSTS  | 4,640             | 4,960             | 5,040             | 5,040             | 5,040             |
| 2001 PROFESSIONAL FEES AND SERVICES                                   | 1,290             | 690               | 1,007             | 1,007             | 1,007             |
| 2003 CONSUMABLE SUPPLIES  | 818               | 786               | 798               | 798               | 798               |
| 2004 UTILITIES  | 159               | 117               | 114               | 114               | 114               |
| 2005 TRAVEL   | 5,168             | 5,221             | 5,148             | 5,148             | 5,148             |
| 2006 RENT - BUILDING  | 15                | 15                | 15                | 15                | 15                |
| 2007 RENT - MACHINE AND OTHER   | 862               | 562               | 480               | 480               | 480               |
| 2009 OTHER OPERATING EXPENSE  | 6,622             | 8,438             | 8,316             | 8,316             | 8,316             |
| 5000 CAPITAL EXPENDITURES   | 0                 | 5,176             | 0                 | 0                 | 0                 |
| <b>Total, Objects of Expense</b>                                      | <b>\$ 186,760</b> | <b>\$ 207,188</b> | <b>\$ 202,933</b> | <b>\$ 202,933</b> | <b>\$ 202,933</b> |
| <b>METHOD OF FINANCING:</b>   |                   |                   |                   |                   |                   |
| 777 Interagency Contracts   | 186,760           | 207,188           | 202,933           | 202,933           | 202,933           |
| <b>Total, Method of Financing</b>                                     | <b>\$ 186,760</b> | <b>\$ 207,188</b> | <b>\$ 202,933</b> | <b>\$ 202,933</b> | <b>\$ 202,933</b> |
| <b>FULL-TIME-EQUIVALENT POSITIONS (FTE):</b>                          | <b>2.2</b>        | <b>2.2</b>        | <b>2.2</b>        | <b>2.2</b>        | <b>2.2</b>        |
| <b>DESCRIPTION</b>  |                   |                   |                   |                   |                   |

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.

**7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS**

82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010

TIME : 8:44:35AM

Agency code: 479

Agency name: State Office of Risk Management

| Strategy                                     | Exp 2009  | Est 2010          | Bud 2011          | BL 2012           | BL 2013           |
|--|---|-------------------|-------------------|-------------------|-------------------|
| <b>1-2-1</b>                                 | <b>Review Claims, Determine Liability and Pay Eligible Claims</b> |                   |                   |                   |                   |
| <b>OBJECTS OF EXPENSE:</b>                   |   |                   |                   |                   |                   |
| 1001 SALARIES AND WAGES                      | \$ 168,386  | \$ 181,223        | \$ 182,015        | \$ 182,015        | \$ 182,015        |
| 1002 OTHER PERSONNEL COSTS                   | 14,411  | 1,920             | 1,920             | 1,920             | 1,920             |
| 2001 PROFESSIONAL FEES AND SERVICES          | 44,709  | 66,382            | 61,084            | 61,084            | 61,084            |
| 2003 CONSUMABLE SUPPLIES                     | 1,023   | 739               | 910               | 910               | 910               |
| 2004 UTILITIES                               | 45  | 17                | 17                | 17                | 17                |
| 2005 TRAVEL                                  | 1,691   | 1,530             | 1,419             | 1,419             | 1,419             |
| 2006 RENT - BUILDING                         | 28  | 14                | 18                | 18                | 18                |
| 2007 RENT - MACHINE AND OTHER                | 802   | 589               | 431               | 431               | 431               |
| 2009 OTHER OPERATING EXPENSE                 | 7,074   | 7,796             | 7,420             | 7,420             | 7,420             |
| 5000 CAPITAL EXPENDITURES                    | 0   | 4,756             | 0                 | 0                 | 0                 |
| <b>Total, Objects of Expense</b>             | <b>\$ 238,169</b>   | <b>\$ 264,966</b> | <b>\$ 255,234</b> | <b>\$ 255,234</b> | <b>\$ 255,234</b> |
| <b>METHOD OF FINANCING:</b>                  |   |                   |                   |                   |                   |
| 1 General Revenue Fund                       | 238,169   | 0                 | 0                 | 0                 | 0                 |
| 777 Interagency Contracts                    | 0   | 264,966           | 255,234           | 255,234           | 255,234           |
| <b>Total, Method of Financing</b>            | <b>\$ 238,169</b>   | <b>\$ 264,966</b> | <b>\$ 255,234</b> | <b>\$ 255,234</b> | <b>\$ 255,234</b> |
| <b>FULL-TIME-EQUIVALENT POSITIONS (FTE):</b> | <b>2.3</b>  | <b>2.3</b>        | <b>2.3</b>        | <b>2.3</b>        | <b>2.3</b>        |
| <b>DESCRIPTION</b>                           |   |                   |                   |                   |                   |

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.

**7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
 TIME : 8:44:35AM

Agency code: 479

Agency name: State Office of Risk Management

|   | Exp 2009         | Est 2010         | Bud 2011         | BL 2012          | BL 2013          |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>GRAND TOTALS</b>                         |                  |                  |                  |                  |                  |
| <b>Objects of Expense</b>                   |                  |                  |                  |                  |                  |
| 1001 SALARIES AND WAGES                     | \$335,572        | \$362,446        | \$364,030        | \$364,030        | \$364,030        |
| 1002 OTHER PERSONNEL COSTS                  | \$19,051         | \$6,880          | \$6,960          | \$6,960          | \$6,960          |
| 2001 PROFESSIONAL FEES AND SERVICES         | \$45,999         | \$67,072         | \$62,091         | \$62,091         | \$62,091         |
| 2003 CONSUMABLE SUPPLIES                    | \$1,841          | \$1,525          | \$1,708          | \$1,708          | \$1,708          |
| 2004 UTILITIES                              | \$204            | \$134            | \$131            | \$131            | \$131            |
| 2005 TRAVEL                                 | \$6,859          | \$6,751          | \$6,567          | \$6,567          | \$6,567          |
| 2006 RENT - BUILDING                        | \$43             | \$29             | \$33             | \$33             | \$33             |
| 2007 RENT - MACHINE AND OTHER               | \$1,664          | \$1,151          | \$911            | \$911            | \$911            |
| 2009 OTHER OPERATING EXPENSE                | \$13,696         | \$16,234         | \$15,736         | \$15,736         | \$15,736         |
| 5000 CAPITAL EXPENDITURES                   | \$0              | \$9,932          | \$0              | \$0              | \$0              |
| <b>Total, Objects of Expense</b>            | <b>\$424,929</b> | <b>\$472,154</b> | <b>\$458,167</b> | <b>\$458,167</b> | <b>\$458,167</b> |
| <b>Method of Financing</b>                  |                  |                  |                  |                  |                  |
| 1 General Revenue Fund                      | \$238,169        | \$0              | \$0              | \$0              | \$0              |
| 777 Interagency Contracts                   | \$186,760        | \$472,154        | \$458,167        | \$458,167        | \$458,167        |
| <b>Total, Method of Financing</b>           | <b>\$424,929</b> | <b>\$472,154</b> | <b>\$458,167</b> | <b>\$458,167</b> | <b>\$458,167</b> |
| <b>Full-Time-Equivalent Positions (FTE)</b> | <b>4.5</b>       | <b>4.5</b>       | <b>4.5</b>       | <b>4.5</b>       | <b>4.5</b>       |



# **WORKERS' COMPENSATION PAYMENTS**

2.A. SUMMARY OF BASE REQUEST BY STRATEGY  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
 TIME: 8:45:18AM

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

| Goal / Objective / STRATEGY                 | Exp 2009            | Est 2010            | Bud 2011            | Req 2012            | Req 2013            |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1 Workers' Compensation Payments            |                     |                     |                     |                     |                     |
| 1 Workers' Compensation Payments            |                     |                     |                     |                     |                     |
| 1 WORKERS' COMPENSATION PAYMENTS            | 45,156,173          | 43,871,161          | 46,371,161          | 51,567,750          | 52,567,750          |
| TOTAL, GOAL 1                               | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| TOTAL, AGENCY STRATEGY REQUEST              | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST* |                     |                     |                     | \$0                 | \$0                 |
| GRAND TOTAL, AGENCY REQUEST                 | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <u>METHOD OF FINANCING:</u>                 |                     |                     |                     |                     |                     |
| <b>General Revenue Funds:</b>               |                     |                     |                     |                     |                     |
| 1 General Revenue Fund                      | 0                   | 0                   | 0                   | 0                   | 0                   |
| SUBTOTAL                                    | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          |
| <b>Other Funds:</b>                         |                     |                     |                     |                     |                     |
| 777 Interagency Contracts                   | 44,517,583          | 43,303,411          | 45,803,411          | 51,000,000          | 52,000,000          |
| 8052 Subrogation Receipts                   | 638,590             | 567,750             | 567,750             | 567,750             | 567,750             |
| SUBTOTAL                                    | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| TOTAL, METHOD OF FINANCING                  | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |

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

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:45:44AM**

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

| <b>METHOD OF FINANCING</b>   | <b>Exp 2009</b> | <b>Est 2010</b> | <b>Bud 2011</b> | <b>Req 2012</b> | <b>Req 2013</b> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b><u>OTHER FUNDS</u></b>  |                 |                 |                 |                 |                 |
| <b><u>777</u> Interagency Contracts</b>                                |                 |                 |                 |                 |                 |
| <i>REGULAR APPROPRIATIONS</i>  |                 |                 |                 |                 |                 |
| Regular Appropriations from MOF Table                                  | \$0             | \$0             | \$0             | \$51,000,000    | \$52,000,000    |
| Regular Appropriations from MOF Table (2008-09 GAA)                    | \$45,307,250    | \$0             | \$0             | \$0             | \$0             |
| Regular Appropriations from MOF Table (2010-11 GAA)                    | \$0             | \$48,000,000    | \$49,000,000    | \$0             | \$0             |
| <i>LAPSED APPROPRIATIONS</i>   |                 |                 |                 |                 |                 |
| ArtIX Sec 15.02 Pg IX-60 Paymnts to SORM-Unexercised Auth(2010-11 GAA) | \$0             | \$(4,988,200)   | \$(3,893,178)   | \$0             | \$0             |
| ArtIX Sec 15.02 Pg IX-62 Paymnts to SORM-Unexercised Auth(2008-09 GAA) | \$(1,621,407)   | \$0             | \$0             | \$0             | \$0             |
| <i>UNEXPENDED BALANCES AUTHORITY</i>                                   |                 |                 |                 |                 |                 |
| ArtIX Sec 15.02(h) Pg IX-60 trf collected IAC AY09 to 10 (2010-11 GAA) | \$0             | \$(696,589)     | \$696,589       | \$0             | \$0             |
| ArtIX Sec 15.02(h) Pg IX-62 trf collected IAC AY08 to 09 (2008-09 GAA) | \$1,819,940     | \$0             | \$0             | \$0             | \$0             |



**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:45:50AM**

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

| METHOD OF FINANCING  | Exp 2009            | Est 2010            | Bud 2011            | Req 2012            | Req 2013            |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b><u>OTHER FUNDS</u></b>  |                     |                     |                     |                     |                     |
| ArtIX Sec 15.02(h) Pg IX-62 trf collected IAC AY09 to 10 (2008-09 GAA) | \$(988,200)         | \$988,200           | \$0                 | \$0                 | \$0                 |
| <b>TOTAL, Interagency Contracts</b>                                    | <b>\$44,517,583</b> | <b>\$43,303,411</b> | <b>\$45,803,411</b> | <b>\$51,000,000</b> | <b>\$52,000,000</b> |
| <b><u>8052</u> Subrogation Receipts</b>                                |                     |                     |                     |                     |                     |
| <i>REGULAR APPROPRIATIONS</i>  |                     |                     |                     |                     |                     |
| Regular Appropriations from MOF Table                                  | \$0                 | \$0                 | \$0                 | \$567,750           | \$567,750           |
| Regular Appropriations from MOF Table (2008-09 GAA)                    | \$567,750           | \$0                 | \$0                 | \$0                 | \$0                 |
| Regular Appropriations from MOF Table (2010-11 GAA)                    | \$0                 | \$567,750           | \$567,750           | \$0                 | \$0                 |
| <i>RIDER APPROPRIATION</i>   |                     |                     |                     |                     |                     |
| Art IX, Sec 15.02, (g) Pg IX-62, Payments to SORM (2008-09 GAA)        | \$70,840            | \$0                 | \$0                 | \$0                 | \$0                 |
| <b>TOTAL, Subrogation Receipts</b>                                     | <b>\$638,590</b>    | <b>\$567,750</b>    | <b>\$567,750</b>    | <b>\$567,750</b>    | <b>\$567,750</b>    |
| <b>TOTAL, ALL OTHER FUNDS</b>  | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
 TIME: **8:45:50AM**

---

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

| <b>METHOD OF FINANCING</b> | <b>Exp 2009</b>     | <b>Est 2010</b>     | <b>Bud 2011</b>     | <b>Req 2012</b>     | <b>Req 2013</b>     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>GRAND TOTAL</b>         | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |

---

**FULL-TIME-EQUIVALENT POSITIONS**

**TOTAL, ADJUSTED FTES**

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| <b>NUMBER OF 100% FEDERALLY FUNDED FTES</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
|---|------------|------------|------------|------------|------------|

**2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/25/2010**  
TIME: **8:48:03AM**

---

|                         |  |  |  |  |  |
|-------------------------|--|--|--|--|--|
| Agency code: <b>40A</b> | Agency name: <b>Workers' Compensation Payments</b> |  |  |  |  |
|-------------------------|--|--|--|--|--|

| <b>OBJECT OF EXPENSE</b>            | <b>Exp 2009</b>     | <b>Est 2010</b>     | <b>Bud 2011</b>     | <b>BL 2012</b>      | <b>BL 2013</b>      |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2009 OTHER OPERATING EXPENSE        | \$45,156,173        | \$43,871,161        | \$46,371,161        | \$51,567,750        | \$52,567,750        |
| <b>OOE Total (Excluding Riders)</b> | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>OOE Total (Riders)</b>           |                     |                     |                     |                     |                     |
| <b>Grand Total</b>                  | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |

---

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/25/2010**  
 TIME : **8:46:37AM**

| Agency code: <b>40A</b> Agency name: <b>Workers' Compensation Payments</b> |                      |                      |                             |                             |                               |                               |  |
|--|----------------------|----------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|--|
| <b>Goal/Objective/STRATEGY</b>   | <b>Base<br/>2012</b> | <b>Base<br/>2013</b> | <b>Exceptional<br/>2012</b> | <b>Exceptional<br/>2013</b> | <b>Total Request<br/>2012</b> | <b>Total Request<br/>2013</b> |  |
| <b>1</b> Workers' Compensation Payments                                    |                      |                      |                             |                             |                               |                               |  |
| <b>1</b> <i>Workers' Compensation Payments</i>                             |                      |                      |                             |                             |                               |                               |  |
| <b>1</b> WORKERS' COMPENSATION PAYMENTS                                    | \$51,567,750         | \$52,567,750         | \$0                         | \$0                         | \$51,567,750                  | \$52,567,750                  |  |
| <b>TOTAL, GOAL 1</b>   | <b>\$51,567,750</b>  | <b>\$52,567,750</b>  | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$51,567,750</b>           | <b>\$52,567,750</b>           |  |
| <b>TOTAL, AGENCY<br/>STRATEGY REQUEST</b>                                  | <b>\$51,567,750</b>  | <b>\$52,567,750</b>  | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$51,567,750</b>           | <b>\$52,567,750</b>           |  |
| <b>TOTAL, AGENCY RIDER<br/>APPROPRIATIONS REQUEST</b>                      |                      |                      |                             |                             |                               |                               |  |
| <b>GRAND TOTAL, AGENCY REQUEST</b>   | <b>\$51,567,750</b>  | <b>\$52,567,750</b>  | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$51,567,750</b>           | <b>\$52,567,750</b>           |  |

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/25/2010**  
 TIME : **8:46:52AM**

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

| <b>Goal/Objective/STRATEGY</b>    | <b>Base<br/>2012</b> | <b>Base<br/>2013</b> | <b>Exceptional<br/>2012</b> | <b>Exceptional<br/>2013</b> | <b>Total Request<br/>2012</b> | <b>Total Request<br/>2013</b> |
|-----------------------------------|----------------------|----------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>General Revenue Funds:</b>     |                      |                      |                             |                             |                               |                               |
| 1 General Revenue Fund            | \$0                  | \$0                  | \$0                         | \$0                         | \$0                           | \$0                           |
|                                   | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$0</b>                    | <b>\$0</b>                    |
| <b>Other Funds:</b>               |                      |                      |                             |                             |                               |                               |
| 777 Interagency Contracts         | 51,000,000           | 52,000,000           | 0                           | 0                           | 51,000,000                    | 52,000,000                    |
| 8052 Subrogation Receipts         | 567,750              | 567,750              | 0                           | 0                           | 567,750                       | 567,750                       |
|                                   | <b>\$51,567,750</b>  | <b>\$52,567,750</b>  | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$51,567,750</b>           | <b>\$52,567,750</b>           |
| <b>TOTAL, METHOD OF FINANCING</b> | <b>\$51,567,750</b>  | <b>\$52,567,750</b>  | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$51,567,750</b>           | <b>\$52,567,750</b>           |

**FULL TIME EQUIVALENT POSITIONS**

**3.A. STRATEGY REQUEST**  
 82nd Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
 TIME: 8:47:27AM

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

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

| CODE   | DESCRIPTION             | Exp 2009            | Est 2010            | Bud 2011            | BL 2012             | BL 2013             |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Objects of Expense:</b>                         |                         |                     |                     |                     |                     |                     |
| 2009   | OTHER OPERATING EXPENSE | \$45,156,173        | \$43,871,161        | \$46,371,161        | \$51,567,750        | \$52,567,750        |
| <b>TOTAL, OBJECT OF EXPENSE</b>                    |                         | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>Method of Financing:</b>                        |                         |                     |                     |                     |                     |                     |
| 1  | General Revenue Fund    | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 |
| <b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>       |                         | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          | <b>\$0</b>          |
| <b>Method of Financing:</b>                        |                         |                     |                     |                     |                     |                     |
| 777  | Interagency Contracts   | \$44,517,583        | \$43,303,411        | \$45,803,411        | \$51,000,000        | \$52,000,000        |
| 8052   | Subrogation Receipts    | \$638,590           | \$567,750           | \$567,750           | \$567,750           | \$567,750           |
| <b>SUBTOTAL, MOF (OTHER FUNDS)</b>                 |                         | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b> |                         |                     |                     |                     | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b> |                         | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

This strategy is a separate appropriation for paying medical expenses and compensation to injured state workers. SORM provides workers' compensation claims administration services to all state agencies and Community Supervision and Corrections Departments subject to Chapters 412 and 501 of the Texas Labor Code, with the exception of the Texas A&M System (A&M), the University of Texas System (UT), and the Texas Department of Transportation (TxDOT). SORM acts in the capacity of insurer, and is responsible for receiving and investigating reports of injury filed on behalf of state employees, determining whether a claim is compensable, and paying income and medical benefits as due. This strategy contributes directly to the priority goal of general state government to support effective, efficient, and accountable state government operations.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:47:35AM

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

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

| <b>CODE</b> | <b>DESCRIPTION</b> | <b>Exp 2009</b> | <b>Est 2010</b> | <b>Bud 2011</b> | <b>BL 2012</b> | <b>BL 2013</b> |
|-------------|--------------------|-----------------|-----------------|-----------------|----------------|----------------|
|-------------|--------------------|-----------------|-----------------|-----------------|----------------|----------------|

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 savings noted are sufficient to fund the agency’s “Pay Workers’ Compensation strategy” costs for 3 years. There is no transfer authority between these appropriations.

Near term costs in this strategy are projected to increase by \$3 million a year due to the loss of PPO and PBM discounts. Both the medical fee schedule and the indemnity rate continue to rise, resulting in long term increases. Implementation of HB 7 WCHCNs may result in increased administrative cost of contracting and monitoring networks, 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. The most immediate factor affecting costs would be a reduction in resources in the “Pay Workers’ Compensation” appropriation as effective oversight is the key to controlling costs in this strategy.

**3.A. STRATEGY REQUEST**

82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/25/2010  
TIME: 8:47:35AM

---

**SUMMARY TOTALS:**

|   |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>OBJECTS OF EXPENSE:</b>                    | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>METHODS OF FINANCE (INCLUDING RIDERS):</b> |                     |                     |                     | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>METHODS OF FINANCE (EXCLUDING RIDERS):</b> | <b>\$45,156,173</b> | <b>\$43,871,161</b> | <b>\$46,371,161</b> | <b>\$51,567,750</b> | <b>\$52,567,750</b> |
| <b>FULL TIME EQUIVALENT POSITIONS:</b>        |                     |                     |                     |                     |                     |



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

|                            |  |  |                            |                               |
|----------------------------|--|--|----------------------------|-------------------------------|
| <b>Agency Code:</b><br>40A | <b>Agency Name:</b><br>State Office of Risk Management | <b>Prepared By:</b><br>Stuart B. Cargile | <b>Date:</b><br>08/23/2010 | <b>Request Level:</b><br>Base |
|----------------------------|--|--|----------------------------|-------------------------------|

| Current Rider Number | Page Number in 2010-11 GAA | Proposed Rider Language |
|----------------------|----------------------------|-------------------------|
|----------------------|----------------------------|-------------------------|

1

I-81

**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.

*No change requested.*

2

I-81

**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.

*No change requested.*

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

3

I-81

#### **Reporting of Workers' Compensation Claims.**

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

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.*