



*Legislative Appropriations Request  
for Fiscal Years 2004 and 2005*

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

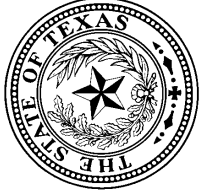
by

*STATE OFFICE of RISK MANAGEMENT*

September 18, 2002

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## CERTIFICATE

**Agency Name** \_\_\_\_\_

This is to certify that the information contained in the agency Legislative Appropriation 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 anytime 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, (2002-03 GAA).

**Chief Executive Officer or Presiding Judge**

**Board or Commission Chair**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**Chief Financial Officer**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## Administrator's Statement

The State Office of Risk Management (the Office or SORM) was established in 1997 by 75th Legislature. The Office's operations are governed by the Texas Labor Code, Chapters 412 and 501. Operating costs for the risk management and workers' compensation strategies are funded by interagency contracts and direct General Revenue Fund appropriations. Costs for workers' compensation payments are funded by direct General Revenue Fund appropriations, OAG debt collections, and subrogation receipts.

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

Martha A. Rider, Chairman

Rosenberg, Texas

Term to expire February 1, 2007

Ronald D. Beals, M.D., Vice Chairman

Tyler, Texas

Term to expire February 1, 2007

Micaela Alvarez, J.D.

McAllen, Texas

Term to expire February 1, 2005

Gerald M. Lavey

Houston, Texas

Term to expire February 1, 2003

Ray "Tom" Pace

Odessa, Texas

Term to expire February 1, 2003

6<sup>th</sup> Board Member position is vacant

The Board is responsible for:

- Oversight of the agency and the appointment of an Executive Director;
- Approval of risk management guidelines for distribution to state agencies;
- Approval of rules necessary for the implementation of the risk management and workers' compensation programs; and,
- Reporting to the legislature on methods to reduce exposure to loss for state agencies; the operation, financing, and handling of risks by state agencies; the handling of claims brought against the state.

The Office provides risk management services to state agencies for the protection of the state's resources<sup>1</sup>. Currently, these resources include approximately 158,000 employees, more than \$8.9 billion dollars in capital investments in buildings, and more than \$3.2 billion in fixed assets. The Executive Director of the Office serves as the "State Risk Manager". SORM's responsibilities include:

- Providing immediate feedback to state agencies in identifying, evaluating, and reducing potential liability exposure and liability losses, including workers' compensation losses;
- Reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies;
- Providing risk management training for state agencies;
- Consulting state agencies regarding their insurance needs;
- Purchasing insurance on behalf of state agencies;
- Approving the purchase of surety bonds for state agencies, as warranted, including the scope and amount of the bond; and,
- Collecting data from insurers regarding insurance purchases by state agencies.

The Office administers the State Employees Workers' Compensation Program for state agencies<sup>2</sup>. SORM also administers workers' compensation claims for employees of Community Supervision and Corrections Departments. SORM's workers' compensation claims program is responsible for:

- Operating a self-insured workers' compensation program for the State of Texas pursuant to the Texas Labor Code and TWCC regulations;

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<sup>1</sup>The University of Texas System, Texas A&M University System, and the Texas Department of Transportation are legislatively excluded from these risk management services.

<sup>2</sup>The University of Texas System, Texas A&M University System, and the Texas Department of Transportation administer their own self-insured workers' compensation programs.

- Receiving and investigating reports of injury filed on behalf of state employees;
- Determining whether a claim is compensable;
- Paying income and medical benefits as due;
- Reviewing medical bills to determine reasonableness, necessity, and compliance with TWCC fee guidelines;
- Appearing as an adversary before TWCC and the courts and presenting the legal defenses and positions of the workers' compensation program;
- Preparing reports for the legislature on workers' compensation claims information; and,
- Providing workers' compensation training for state agencies.

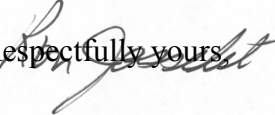
The following key events occurred in FY 2002:

- Recent terrorists' actions at the national and international level suggest that a level of security risk currently exists that previously was not recognized as a significant risk. These terrorism events also illustrate a need for training that previously was not required by Texas state agencies. Accordingly, the Office has responded by offering specialized training in areas such as safe mail handling procedures and violence in the workplace. In addition, the SORM website now offers on-line access to emergency response protocols. These protocols provide quick information and links to other websites on topics such as bomb threats, bio-terrorists actions, weather emergencies, and other associated state risks that will assist state agencies to quickly respond to emergencies.
- The Office developed and implemented a cost or risk allocation program for workers' compensation that for the first time makes state agencies responsible for their work-related accidents, injuries and workers' compensation claims and losses. This legislatively mandated risk allocation program changes the methodology in which claims and losses are funded. Appropriations for funding workers' compensation claims, which previously were appropriated to SORM are now appropriated to the state agencies, which in turn pay to SORM an assessment that pays for workers' compensation coverage.
- A centralized insurance purchasing program is being developed by the Office as directed by the Legislature. Previously, state agencies which had legislative authority to purchase insurance for various risk exposures independently purchased their respective, individual policies. Beginning September 1, 2002, SORM will phase in by line of coverage insurance programs and policies in which state agencies will be required to participate, or alternatively justify to SORM that an individual policy is needed.

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

Fiscal Year	Number of First Reports of Injury	Medical Benefits Paid	Indemnity Benefits Paid	Number of Injuries per 100 FTEs
2001	4	\$13,202	\$3,414	3.99
2002	1	\$8,229	\$17,775	0.93
Biennium Total	5	\$21,431	\$21,189	

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

Respectfully yours,  


Ron Josselet, ARM, CPCU  
Executive Director

**II.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:42:00PM**

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

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>1</b> Manage Workers' Compensation Costs					
<b>1</b> Risk Management					
<b>1</b> RISK MANAGEMENT PROGRAM	950,702	1,802,091	1,936,017	1,931,354	1,931,354
<b>2</b> Claims Administration					
<b>1</b> PAY WORKERS' COMPENSATION	4,503,107	4,952,100	4,802,805	4,801,603	4,801,603
<b>TOTAL, GOAL 1</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>0</b>	<b>0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
METHOD OF FINANCING:					
<b>1</b> General Revenue Fund					
<b>666</b> Appropriated Receipts	\$4,583,926	\$5,024,225	\$4,986,599	\$4,801,603	\$4,801,603
<b>777</b> Interagency Contracts	\$981	\$0	\$0	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>

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



**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:42:19PM**

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

METHOD OF FINANCING	Exp 2001	Est 2002	Bud 2003	Req 2004	Req 2005
<b><u>GENERAL REVENUE</u></b>					
<b>1</b> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
General Revenue Fund	4,520,758	4,679,163	4,583,763	4,801,603	4,801,603
HB1 76th Leg., R.S., Art. IX, Sec. 9-6.20 Cap Bud Trf from PY Non IAC	64,624	0	0	0	0
<i>TRANSFERS</i>					
HB 1, 76th Leg., R.S., Art. IX, Sec.9-11.06 Approp for Salary Increase	119,180	0	0	0	0
H.B. 1, 77th Leg., R.S., Art IX, Sec. 10.12 Approp for a Salary Incr	0	123,513	164,576	0	0
H.B. 1, 77th Leg., R.S., Art IX, Sec 10.12 Approp for Longevity Increa	0	20,400	20,400	0	0
H.B. 1, 77TH LEG., R.S., ART IX, SEC. 10.39 RIDER HB 2600	0	171,307	148,018	0	0
HB1, 77th Leg, RS, GAA, Art IX, Sec 10-36 Pg IX-91 Contingency SB311	0	-1,342	-1,342	0	0
HB 1, 77th LEG, R.S., ART IX, Sec. 10.23, Page IX-87 HB2976 - Reappr	0	71,184	71,184	0	0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	-120,636	-40,000	0	0	0
<b>TOTAL, General Revenue Fund</b>	<b>\$4,583,926</b>	<b>\$5,024,225</b>	<b>\$4,986,599</b>	<b>\$4,801,603</b>	<b>\$4,801,603</b>
<b>TOTAL, ALL GENERAL REVENUE</b>	<b>\$4,583,926</b>	<b>\$5,024,225</b>	<b>\$4,986,599</b>	<b>\$4,801,603</b>	<b>\$4,801,603</b>

**OTHER FUNDS**

**666** Appropriated Receipts  
*RIDER APPROPRIATION*

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:42:30PM**

Agency code: **479**

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

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
H.B. 1, 76th Leg., R. S. Art IX, Sec. 9-8.03 Reimb & Payments 669		0	0	0	0
H.B. 1, 76th Leg., R.S., Art. IX, Sec.9-6.18 Publication Sales 171		0	0	0	0
H.B. 1, 76th Leg., R.S., Art. IX, Sec.9-8.04 Surplus Property 141		0	0	0	0
<b>TOTAL, Appropriated Receipts</b>	<b>\$981</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>777</b> Interagency Contracts					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations	852,056	1,097,709	1,097,709	1,931,354	1,931,354
<i>RIDER APPROPRIATION</i>					
H.B. 1, 76th Leg., R. S. Art IX, Sec. 9-8.03 IAC Approp 10,199		0	0	0	0
H.B. 1, 76th Leg., R. S. Art IX, Sec. 9-6,20 Capital Bud Carry Forward 6,647		0	0	0	0
H.B. 1, 77TH LEG. R.S., ART IX , SEC. 10.34 RIDER HB 1203 0		610,000	610,000	0	0
H.B. 1, 77TH LEG., R.S., ART IX., SEC. 8.03, Pg IX-66 IAC APPROP 0		22,257	44,514	0	0
<b>TOTAL, Interagency Contracts</b>	<b>\$868,902</b>	<b>\$1,729,966</b>	<b>\$1,752,223</b>	<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>TOTAL, ALL OTHER FUNDS</b>	<b>\$869,883</b>	<b>\$1,729,966</b>	<b>\$1,752,223</b>	<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>GRAND TOTAL</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>FULL-TIME-EQUIVALENT POSITIONS</b>	<b>100.3</b>	<b>109.8</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>

**II.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:36:35PM**

Agency code: **479**

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

<b>OBJECT OF EXPENSE</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
1001 SALARIES AND WAGES	\$3,291,991	\$3,930,675	\$4,460,231	\$4,446,682	\$4,446,682
1002 OTHER PERSONNEL COSTS	\$155,306	\$196,690	\$92,090	\$92,090	\$92,090
2001 PROFESSIONAL FEES AND SERVICES	\$1,367,674	\$1,405,029	\$1,405,029	\$1,405,029	\$1,405,029
2003 CONSUMABLE SUPPLIES	\$33,277	\$54,161	\$54,161	\$54,161	\$54,161
2004 UTILITIES	\$12,995	\$23,018	\$117,018	\$117,018	\$117,018
2005 TRAVEL	\$86,545	\$118,651	\$118,651	\$118,651	\$118,651
2006 RENT - BUILDING	\$1,180	\$10,072	\$10,072	\$10,072	\$10,072
2007 RENT - MACHINE AND OTHER	\$22,626	\$35,012	\$35,013	\$35,013	\$35,013
2009 OTHER OPERATING EXPENSE	\$445,045	\$949,326	\$424,057	\$454,241	\$454,241
5000 CAPITAL EXPENDITURES	\$37,170	\$31,557	\$22,500	\$0	\$0
<b>OOE Total (Excluding Riders)</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>

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

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation system of Texas (ABEST)

Date : 9/18/2002

Time: 10:42:37PM

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Goal/ Objective / OUTCOME	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
1 Manage Workers' Compensation Costs					
1 Risk Management					
<b>KEY 1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b>	4.80%	4.70%	4.90%	4.90%	4.90%
<b>2 % State Agencies with Approved Written Risk Management Plans</b>	100.00%	100.00%	100.00%	100.00%	100.00%
2 Claims Administration					
<b>KEY 1 Cost of Workers' Compensation Per Covered State Employee</b>	404.00	410.00	440.00	440.00	440.00

**II.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME : 10:42:58PM

Agency code: **479**

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

Priority	Item	2004			2005			Biennium	
		GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds
1	Medical Cost Containment Contract	\$ 0	\$ 0	0.0	\$ 1,250,614	\$ 1,250,614	0.0	\$ 1,250,614	\$ 1,250,614
2	Incr Executive Director's Salary	\$ 0	\$ 0		\$ 0	\$ 0		\$ 0	\$ 0
3	Risk Management Information System		\$ 177,900	0.0		\$ 0	0.0		\$ 177,900
4	Additional Claims Admin Staffing	\$ 509,300	\$ 509,300	11.0	\$ 410,015	\$ 410,015	11.0	\$ 919,315	\$ 919,315
<b>Total, Exceptional Items Request</b>		<b>\$ 509,300</b>	<b>\$ 687,200</b>	<b>11.0</b>	<b>\$ 1,660,629</b>	<b>\$ 1,660,629</b>	<b>11.0</b>	<b>\$ 2,169,929</b>	<b>\$ 2,347,829</b>

**Method of Financing**

General Revenue	\$ 509,300	\$ 509,300		\$ 1,660,629	\$ 1,660,629		\$ 2,169,929	\$ 2,169,929
General Revenue - Dedicated								
Federal Funds								
Other Funds		177,900			0			177,900
	<b>\$ 509,300</b>	<b>\$ 687,200</b>		<b>\$ 1,660,629</b>	<b>\$ 1,660,629</b>		<b>\$ 2,169,929</b>	<b>\$ 2,347,829</b>

**Full Time Equivalent Positions**

**11.0**

**11.0**

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/18/2002  
 TIME : 10:37:48PM

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

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>1</b> Manage Workers' Compensation Costs						
<b>1</b> <i>Risk Management</i>						
<b>1</b> RISK MANAGEMENT PROGRAM	\$ 1,931,354	\$ 1,931,354	\$ 177,900	\$ 0	\$ 2,109,254	\$ 1,931,354
<b>2</b> <i>Claims Administration</i>						
<b>1</b> PAY WORKERS' COMPENSATION	4,801,603	4,801,603	509,300	1,660,629	5,310,903	6,462,232
<b>TOTAL, GOAL 1</b>	<b>\$ 6,732,957</b>	<b>\$ 6,732,957</b>	<b>\$ 687,200</b>	<b>\$ 1,660,629</b>	<b>\$ 7,420,157</b>	<b>\$ 8,393,586</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$ 6,732,957</b>	<b>\$ 6,732,957</b>	<b>\$ 687,200</b>	<b>\$ 1,660,629</b>	<b>\$ 7,420,157</b>	<b>\$ 8,393,586</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>						
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$ 6,732,957</b>	<b>\$ 6,732,957</b>	<b>\$ 687,200</b>	<b>\$ 1,660,629</b>	<b>\$ 7,420,157</b>	<b>\$ 8,393,586</b>

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/18/2002  
 TIME : 10:38:02PM

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

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>General Revenue Funds:</b>						
1 GENERAL REVENUE FUND	\$ 4,801,603	\$ 4,801,603	\$ 509,300	\$ 1,660,629	\$ 5,310,903	\$ 6,462,232
	<b>\$ 4,801,603</b>	<b>\$ 4,801,603</b>	<b>\$ 509,300</b>	<b>\$ 1,660,629</b>	<b>\$ 5,310,903</b>	<b>\$ 6,462,232</b>
<b>Other Funds:</b>						
666 APPROPRIATED RECEIPTS	0	0	0	0	0	0
777 INTERAGENCY CONTRACTS	1,931,354	1,931,354	177,900	0	2,109,254	1,931,354
	<b>\$ 1,931,354</b>	<b>\$ 1,931,354</b>	<b>\$ 177,900</b>	<b>\$ 0</b>	<b>\$ 2,109,254</b>	<b>\$ 1,931,354</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$ 6,732,957</b>	<b>\$ 6,732,957</b>	<b>\$ 687,200</b>	<b>\$ 1,660,629</b>	<b>\$ 7,420,157</b>	<b>\$ 8,393,586</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>124.0</b>	<b>124.0</b>	<b>11.0</b>	<b>11.0</b>	<b>135.0</b>	<b>135.0</b>

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

Date : 9/18/2002

78th Regular Session, Agency Submission, Version 1

Time: 10:37:23PM

Automated Budget and Evaluation system of Texas (ABEST)

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Goal/ Objective / OUTCOME	BL 2004	BL 2005	Excp 2004	Excp 2005	Total Request 2004	Total Request 2005
1 Manage Workers' Compensation Costs						
1 Risk Management						
<b>KEY 1 Incident Rate of Injuries &amp; Illnesses/100 Covered FT State Employees</b>	4.90%	4.90%	0.00 %	0.00%	4.90%	4.90%
<b>2 % State Agencies with Approved Written Risk Management Plans</b>	100.00%	100.00%	0.00 %	0.00%	100.00%	100.00%
2 Claims Administration						
<b>KEY 1 Cost of Workers' Compensation Per Covered State Employee</b>	440.00	440.00	443.00	449.00	443.00	449.00



**III.A. PRIORITY ALLOCATION TABLE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:34:52PM**

Agency code: **479**

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

<b>2002-03 Biennial Funding</b>	
Total: \$	13,493,013
GR / GR-Dedicated: \$	10,010,824

Strategy/Strategy Option/Rider	BL 2004 Funds		BL 2005 Funds		Cumulative % of 2002-03 GR / GR-Dedicated Funds
	Total	GR and GR-Dedicated	Total	GR and GR-Dedicated	
Strategy: <b>1 - 1 - 1</b> RISK MANAGEMENT PROGRAM	\$ 1,931,354	\$ 0	\$ 1,931,354	\$ 0	0.00%
Strategy: <b>1 - 2 - 1</b> PAY WORKERS' COMPENSATION	4,801,603	4,801,603	4,801,603	4,801,603	95.93%
<b>TOTAL</b>	<b>\$ 6,732,957</b>	<b>\$ 4,801,603</b>	<b>\$ 6,732,957</b>	<b>\$ 4,801,603</b>	

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:36:59PM

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Risk Management Service Categories:  
 STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Written Risk Management Program Reviews Conducted	50.00	55.00	55.00	32.00	32.00
2	Number of On-site Consultations Conducted	122.00	198.00	200.00	250.00	250.00
3	Number of Risk Management Training Sessions Conducted	112.00	186.00	124.00	125.00	125.00
<b>Efficiency Measures:</b>						
1	Cost Per Hour of Direct Risk Management Service Provided	89.72	90.28	90.00	90.00	90.00
<b>Explanatory/Input Measures:</b>						
1	% State Agency Facility Locations Provided On-site Consultations	21.12 %	9.54 %	9.81 %	10.85 %	10.85
2	Percentage of Total Assessments Collected Used for Claim Payments	0.00 %	91.95 %	100.00 %	100.00 %	100.00
3	Amount of Grants Awarded for Loss Prevention Purposes	0.00	0.00	0.00	1,000,000.00	1,000,000.00
4	Number of Grants Awarded for Loss Prevention Purposes	0.00	0.00	0.00	20.00	20.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$762,645	\$1,185,159	\$1,618,751	\$1,606,051	\$1,606,051
1002	OTHER PERSONNEL COSTS	\$34,887	\$50,813	\$21,569	\$21,569	\$21,569
2001	PROFESSIONAL FEES AND SERVICES	\$1,229	\$5,029	\$5,029	\$5,029	\$5,029
2003	CONSUMABLE SUPPLIES	\$9,818	\$25,161	\$25,161	\$25,161	\$25,161
2004	UTILITIES	\$2,412	\$7,018	\$31,018	\$31,018	\$31,018
2005	TRAVEL	\$35,150	\$55,651	\$55,651	\$55,651	\$55,651
2006	RENT - BUILDING	\$206	\$72	\$72	\$72	\$72
2007	RENT - MACHINE AND OTHER	\$7,116	\$12	\$12	\$12	\$12
2009	OTHER OPERATING EXPENSE	\$92,098	\$458,119	\$172,004	\$186,791	\$186,791
5000	CAPITAL EXPENDITURES	\$5,141	\$15,057	\$6,750	\$0	\$0

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:37:13PM

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Risk Management Service Categories:  
 STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$950,702</b>	<b>\$1,802,091</b>	<b>\$1,936,017</b>	<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$102,433	\$94,382	\$228,308	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$102,433</b>	<b>\$94,382</b>	<b>\$228,308</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
777	INTERAGENCY CONTRACTS	\$848,269	\$1,707,709	\$1,707,709	\$1,931,354	\$1,931,354
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$848,269</b>	<b>\$1,707,709</b>	<b>\$1,707,709</b>	<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$950,702</b>	<b>\$1,802,091</b>	<b>\$1,936,017</b>	<b>\$1,931,354</b>	<b>\$1,931,354</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>19.7</b>	<b>27.5</b>	<b>38.5</b>	<b>38.5</b>	<b>38.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

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

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:37:14PM

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Risk Management Service Categories:  
 STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
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Under existing statutes SORM does not have compliance or enforcement authority over state agencies, their risk management programs, or efforts. SORM accomplishes its mission by promoting cooperation with client agencies. No mechanism exists to enforce client agency compliance with identified risk prevention and control measures.

Oversight entities (Research Oversight Council on Workers' Compensation, House Committee on Business & Industry) have directed SORM to increase its presence in state agency locations. Pursuant to a State Auditor's report SORM has refocused its risk management efforts to increase the level of service provided to those agencies and locations which historically have produced the highest risk exposure and losses.

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:37:14PM

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 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 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Output Measures:</b>						
1	Number of Initial Eligibility Determinations Made	9,055.00	9,530.00	9,500.00	9,500.00	9,500.00
2	Number of Medical Bills Processed	176,689.00	196,132.00	196,000.00	198,000.00	200,000.00
3	Number of Indemnity Bills Paid	69,689.00	69,264.00	69,000.00	69,000.00	69,000.00
<b>Efficiency Measures:</b>						
1	% Claims Processed within 7 Days	94.65 %	92.42 %	100.00 %	100.00 %	100.00
2	% of Medical Bills Paid within 45 Days	98.67 %	97.99 %	100.00 %	100.00 %	100.00
3	Average Cost to Administer Claim	330.00	335.00	335.00	335.00	335.00
<b>Explanatory/Input Measures:</b>						
1	Amount of Subrogation Payments Obtained	252,689.14	847,310.86	550,000.00	550,000.00	550,000.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,529,346	\$2,745,516	\$2,841,480	\$2,840,631	\$2,840,631
1002	OTHER PERSONNEL COSTS	\$120,419	\$145,877	\$70,521	\$70,521	\$70,521
2001	PROFESSIONAL FEES AND SERVICES	\$1,366,445	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
2003	CONSUMABLE SUPPLIES	\$23,459	\$29,000	\$29,000	\$29,000	\$29,000
2004	UTILITIES	\$10,583	\$16,000	\$86,000	\$86,000	\$86,000
2005	TRAVEL	\$51,395	\$63,000	\$63,000	\$63,000	\$63,000
2006	RENT - BUILDING	\$974	\$10,000	\$10,000	\$10,000	\$10,000
2007	RENT - MACHINE AND OTHER	\$15,510	\$35,000	\$35,001	\$35,001	\$35,001
2009	OTHER OPERATING EXPENSE	\$352,947	\$491,207	\$252,053	\$267,450	\$267,450
5000	CAPITAL EXPENDITURES	\$32,029	\$16,500	\$15,750	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$4,503,107</b>	<b>\$4,952,100</b>	<b>\$4,802,805</b>	<b>\$4,801,603</b>	<b>\$4,801,603</b>

<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$4,481,493	\$4,929,843	\$4,758,291	\$4,801,603	\$4,801,603

**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:37:15PM

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 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 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$4,481,493</b>	<b>\$4,929,843</b>	<b>\$4,758,291</b>	<b>\$4,801,603</b>	<b>\$4,801,603</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$981	\$0	\$0	\$0	\$0
777	INTERAGENCY CONTRACTS	\$20,633	\$22,257	\$44,514	\$0	\$0
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$21,614</b>	<b>\$22,257</b>	<b>\$44,514</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$4,801,603</b>	<b>\$4,801,603</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$4,503,107</b>	<b>\$4,952,100</b>	<b>\$4,802,805</b>	<b>\$4,801,603</b>	<b>\$4,801,603</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>80.6</b>	<b>82.3</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

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

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

### III.B. STRATEGY REQUEST

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME: 10:37:15PM

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

SORM has experienced high turnover among claims adjusters. SORM's FY 99 turnover rate as reported by the SAO was 41%. The FY 00 rate of turnover was 32% and FY 01's rate was 28%. The percentage of employees leaving for higher pay (as opposed to other reasons) was 66% in FY 00 and 60% in FY 01. Experienced adjusters continue to be at a premium as other insurers struggle to keep their own costs down. As a result of continuing high turnover, SORM's adjusters tend to have less claims administration experience, require more supervision, and smaller caseloads.

**III.B. STRATEGY REQUEST**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME: 10:37:15PM

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$5,453,809</b>	<b>\$6,754,191</b>	<b>\$6,738,822</b>	<b>\$6,732,957</b>	<b>\$6,732,957</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>100.3</b>	<b>109.8</b>	<b>124.0</b>	<b>124.0</b>	<b>124.0</b>



## Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office Of Risk Management	Prepared By: Stuart B Cargile	Date: September 18, 2002	Request Level: Base																																			
<b>Current Rider Number</b>	<b>Page Number in 2002-03 GAA</b>	<b>Proposed Rider Language</b>																																					
1	1-77	<p>Capital Budget</p> <p><del>None of the funds</del> Funds appropriated above may be expended for capital budget items <del>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.</del> <u>The amounts identified for each item may be adjusted or may be expended on other non-capital expenditures within the strategy to which the funds were appropriated. However, any amounts spent on capital items are subject to the aggregate dollar restrictions on capital budget expenditures provided in the General Provisions of this Act.</u></p> <p>a. Acquisition of Information Resource Technologies</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 10%;"><u>2002</u></th> <th style="text-align: right; width: 10%;"><u>2004</u></th> <th style="text-align: right; width: 10%;"><u>2003</u></th> <th style="text-align: right; width: 10%;"><u>2005</u></th> </tr> </thead> <tbody> <tr> <td>(1) Upgrade Existing Personal Computers-CPUs</td> <td style="text-align: right;"><del>\$ 50,400</del></td> <td style="text-align: right;"><u>\$37,500</u></td> <td style="text-align: right;">\$0</td> <td style="text-align: right;"><u>\$37,500</u></td> </tr> <tr> <td>(2) Implementation of Risk Mgmt. Info. System</td> <td></td> <td style="text-align: right;"><u>\$177,900</u></td> <td></td> <td style="text-align: right;"><u>\$0</u></td> </tr> <tr> <td><b>Total Capital Budget</b></td> <td style="text-align: right;"><del>\$ 50,400</del></td> <td style="text-align: right;"><u>\$215,400</u></td> <td style="text-align: right;"><u>\$0</u></td> <td style="text-align: right;"><u>\$37,500</u></td> </tr> </tbody> </table> <p><u>Method Of Financing (Capital Budget):</u></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;"><u>General Revenue Fund</u></td> <td style="text-align: right; width: 10%;"><u>\$27,000</u></td> <td style="text-align: right; width: 10%;"></td> <td style="text-align: right; width: 10%;"></td> <td style="text-align: right; width: 10%;"><u>\$25,500</u></td> </tr> <tr> <td><u>Interagency Contracts</u></td> <td></td> <td style="text-align: right;"><u>\$ 188,400</u></td> <td></td> <td style="text-align: right;"><u>\$12,000</u></td> </tr> <tr> <td><u>Total, Method of Financing</u></td> <td></td> <td style="text-align: right;"><u>\$215,400</u></td> <td></td> <td style="text-align: right;"><u>\$37,500</u></td> </tr> </tbody> </table> <p><i>The rider has been changed to reflect the 2004-05 Capital Budget Request. Additionally, the language has been modified to reflect that the agency is not requesting funds for hardware replacement and is unsure if funding will be available. However, if funding is available capital authority is necessary for the replacement of aged hardware. An explanation of the requested items and impact on agency operations should be included in the Capital Supporting Schedule.</i></p>				<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2005</u>	(1) Upgrade Existing Personal Computers-CPUs	<del>\$ 50,400</del>	<u>\$37,500</u>	\$0	<u>\$37,500</u>	(2) Implementation of Risk Mgmt. Info. System		<u>\$177,900</u>		<u>\$0</u>	<b>Total Capital Budget</b>	<del>\$ 50,400</del>	<u>\$215,400</u>	<u>\$0</u>	<u>\$37,500</u>	<u>General Revenue Fund</u>	<u>\$27,000</u>			<u>\$25,500</u>	<u>Interagency Contracts</u>		<u>\$ 188,400</u>		<u>\$12,000</u>	<u>Total, Method of Financing</u>		<u>\$215,400</u>		<u>\$37,500</u>
	<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2005</u>																																			
(1) Upgrade Existing Personal Computers-CPUs	<del>\$ 50,400</del>	<u>\$37,500</u>	\$0	<u>\$37,500</u>																																			
(2) Implementation of Risk Mgmt. Info. System		<u>\$177,900</u>		<u>\$0</u>																																			
<b>Total Capital Budget</b>	<del>\$ 50,400</del>	<u>\$215,400</u>	<u>\$0</u>	<u>\$37,500</u>																																			
<u>General Revenue Fund</u>	<u>\$27,000</u>			<u>\$25,500</u>																																			
<u>Interagency Contracts</u>		<u>\$ 188,400</u>		<u>\$12,000</u>																																			
<u>Total, Method of Financing</u>		<u>\$215,400</u>		<u>\$37,500</u>																																			

### Rider Revisions and Additions Request

<b>Current Rider Number</b>	<b>Page Number in 2002-03 GAA</b>	<b>Proposed Rider Language</b>
2	I-77	Risk Management Guide for State Agencies.  The State Office of Risk Management shall develop a risk management guide for all state agencies.  <i>No change proposed.</i>

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:35:56PM**

Agency code: **479**

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

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b> Medical Cost Containment Vendor Contract		
	<b>Item Priority:</b> 1		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
<b>OBJECTS OF EXPENSE:</b>			
1002	OTHER PERSONNEL COSTS	0	1,250,614
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$1,250,614</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	0	1,250,614
	<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$1,250,614</b>

**DESCRIPTION / JUSTIFICATION:**

The Texas Workers' Compensation Act and Rules require medical cost containment initiatives to control costs of medical services in accordance with established fee guidelines and review of medical necessity and relatedness of medical services both prospectively and retrospectively in claims administration. The annual cost of the current contract is \$1.4 million and the resulting annual savings from the contract is \$37,031,580. The current contract will expire in 9/01/2004. Since FY92, SORM has experienced an increase in the number of bills received from approximately 150,000 bills annually to approximately 230,000. SORM surveyed potential vendors and averaged current costs for 230,000 medical bill audits, 9600 preauthorization requests and 1000 hours of case management services by the various vendors to arrive at the estimated cost for a contract for FY04 and FY05.

**EXTERNAL/INTERNAL FACTORS:**

Expenditure represented by the exceptional item is necessary and is requested to carry out the statutory responsibilities of the agency. The current cost for the Medical Cost Containment Vendor Contract is \$1,340,000.00 annually and the legislative appropriation for this service has remained static since FY92. The additional cost for a Medical Cost Containment services contract for FY04 and FY05 is the result of increased utilization of medical services and increased cost of medical cost containment services.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:36:14PM**

Agency code: **479**

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

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b> Statutory Increase to Executive Director's Salary		
	<b>Item Priority:</b> 2		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms		
	01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	0	0
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	0	0
777	INTERAGENCY CONTRACTS	0	0
	<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

The Office requests that the salary authorized for the Exempt Position occupied by the Agency's Executive Director be moved from a Group 3 to a Group 5 in the appropriations act with a maximum salary of \$125,000 per year. The purpose of this request provide a competitive salary to ensure that the agency can recruit and retain a qualified executive director and to give the Board the flexibility to grant an increase in salary to the agency's executive director if his performance would otherwise justify a merit increase. The board does not have any present intention to increase the salary of it's existing executive director in any specific amount.

The Board is not seeking additional appropriated funds to pay any increase in salary which it may ultimately approve based on their evaluation of the executive director's performance.

**EXTERNAL/INTERNAL FACTORS:**

Since it's inception in September 1997 the board has hired 2 Executive Directors. Their experience indicates that the maximum salary approved for this sensitive position is not competitive for a senior level risk manager at a large private enterprise much less an individual with experience with an organization as large and as diverse as the State of Texas.

Internally, the retention of a qualified Risk Manager for the State of Texas will remain an issue unless there is at least a possibility that there could be some financial reward for superior performance. The Board is asking that the legislature approve an increase to the salary cap established for the agency's executive director to create an incentive for service and excellence, even if the increase in funding cannot be included in a specific budget at this time.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:36:14PM**

Agency code: **479**

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

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
	<b>Item Name:</b> Risk Management Information System (RMIS)		
	<b>Item Priority:</b> 3		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms		
<b>OBJECTS OF EXPENSE:</b>			
2004	UTILITIES	8,000	0
2009	OTHER OPERATING EXPENSE	18,000	0
5000	CAPITAL EXPENDITURES	151,900	0
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$177,900</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>			
777	INTERAGENCY CONTRACTS	177,900	0
	<b>TOTAL, METHOD OF FINANCING</b>	<b>\$177,900</b>	<b>\$0</b>

**DESCRIPTION / JUSTIFICATION:**

The current Workers' Compensation System data processing system, known as the Claims Management System (CMS), was developed in the mid 1990's by the Office of the Attorney General. The current CMS system is a legacy system written in ADABAS/Natural and continues to be maintained and modified by the Office of the Attorney General (OAG). The system needs several significant modifications in order to comply with new statutory requirements. SORM proposes to move various mainframe processes to server applications to take advantage of new state of the art technology, including a web interface for state agencies to enter and access appropriate claims management information. Allowing agencies entry/inquiry access to claims information will allow faster processing of submitted claims as well as better information sharing regarding various state agency claims. Development of the Risk Management System will also allow SORM to re-engineer internal business processes to eliminate duplication of entry and increased editing of claims information to reduce errors processed through the system. A report conducted by the Office of the State Auditor prepared in the Fall of 2001, estimated that development of the Risk Management Information System could save the state approximately 3% per year of paid claims by increasing claims processing efficiency and reducing claim pay outs due to elimination of errors.

**EXTERNAL/INTERNAL FACTORS:**

Expenditure represented by the exceptional item is necessary and is requested to port the CMS to a new, comprehensive Risk Management Information System to be maintained by the State Office of Risk Management. The Office of the Attorney General is aware of SORM's intent to develop the new system and fully supports all efforts to this end.

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:36:14PM**

Agency code: **479**

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

CODE	DESCRIPTION	Excp 2004	Excp 2005
	<b>Item Name:</b> Additional Claims Administration Staffing		
	<b>Item Priority:</b> 4		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
 <b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	355,080	355,080
2009	OTHER OPERATING EXPENSE	154,220	54,935
	<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$509,300</b>	<b>\$410,015</b>
 <b>METHOD OF FINANCING:</b>			
1	GENERAL REVENUE FUND	509,300	410,015
	<b>TOTAL, METHOD OF FINANCING</b>	<b>\$509,300</b>	<b>\$410,015</b>
	<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	11.00	11.00

**DESCRIPTION / JUSTIFICATION:**

The following items requested are necessary to make efficient use of state resources.

The cost of running the state's self-insured workers' compensation program for state employees cost approximately \$68,000,000.00. This cost would be reduced and the handling of state workers' compensation claims would be greatly enhanced by reducing the claim file caseload of each adjuster by adding four (4) DDE I adjusters; four (4) Registered Nurses Adjusters to the Medical Management Team to administer long term claims with complex medical issues related to extent of injury; and three (3) administrative technicians to support them. This additional staff will address potential overutilization of medical services enhancing SORM's effort in more pro-active, effective, and economical claims administration to reduce medical costs to the Claims Fund by ensuring only proper expenses are paid. Due to high caseloads prevent adequate oversight of medical bills and inflate expenses. SORM's high caseloads artificially increase the State's claims costs. Analysis of expenditures for these claims reveal that approximately \$4.5 million is expended annually with very little scrutiny due to the lack of adjusters to perform appropriate and adequate review of claims.

**EXTERNAL/INTERNAL FACTORS:**

**IV.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:36:14PM**

Agency code: **479**

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

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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Expenditure represented by the exceptional item is necessary and is requested to carry out the statutory responsibilities of the agency. Expenditure represented by the exceptional item is necessary and is requested to carry out the statutory responsibilities of the agency. Due to inadequate staffing in terms of numbers of adjusters and adjuster's with the appropriate skill sets, SORM estimates that at any given time, there are approximately 3000 claims which are placed in an inactive status with minimal scrutiny by adjusters. These claims have an open reserve of \$2,000.00 each to ensure that claimants are not deprived of benefits which they are entitled. Analysis of expenditures for these claims reveal that approximately \$4.5 million is expended annually with very little scrutiny due to the lack of adjusters to perform appropriate and adequate review of claims. allowing for more comprehensive, pro-active, economically efficient claims administration.

An informal survey reveals that agencies such as Texas Department of Transportation has approximately 1200 open claims with eleven (11) workers' compensation adjusters and eight (8) multi-line field adjusters with an average claim load of 109 claims per adjuster; University of Texas Systems has approximately 1200 open claims with eleven (12) workers' compensation adjusters with an average claim load of 100 claims per adjuster; City of Houston has approximately 700 open claims and their servicing TPA dedicates five (5) workers' compensation adjusters with an average claim load of 140 claims per adjuster; and Texas Association of School Boards has approximately 3500 open claims with thirty-nine (39) workers' compensation adjusters assigned with an average claim load of 90 claims per adjuster. SORM has over 8000 open claims at any given time with thirty-four (34) adjusters assigned. This is an average of 235 claims per assigned adjuster.

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:35:14PM**

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

	Excp 2004	Excp 2005
<b>Item Name:</b>	Medical Cost Containment Vendor Contract	
<b>Allocation to Strategy:</b>	1-2-1	Review Claims, Determine Liability and Pay Eligible Claims
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> Cost of Workers' Compensation Per Covered State Employee	0.00	7.00
<b>OUTPUT MEASURES:</b>		
<b>1</b> Number of Initial Eligibility Determinations Made	0.00	0.00
<b>2</b> Number of Medical Bills Processed	0.00	0.00
<b>3</b> Number of Indemnity Bills Paid	0.00	0.00
<b>EFFICIENCY MEASURES:</b>		
<b>1</b> % Claims Processed within 7 Days	0.00%	0.00%
<b>2</b> % of Medical Bills Paid within 45 Days	0.00%	0.00%
<b>3</b> Average Cost to Administer Claim	0.00	85.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<b>1</b> Amount of Subrogation Payments Obtained	0.00	0.00
<b>OBJECTS OF EXPENSE:</b>		
1002 OTHER PERSONNEL COSTS	0	1,250,614
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$1,250,614</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	0	1,250,614
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$1,250,614</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	0.0	0.0



**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:35:46PM**

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

	Excp 2004	Excp 2005
<b>Item Name:</b>	Statutory Increase to Executive Director's Salary	
<b>Allocation to Strategy:</b>	1-1-1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk M	
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
<b>2</b> % State Agencies with Approved Written Risk Management Plans	0.00%	0.00%
<b>OUTPUT MEASURES:</b>		
<b>1</b> Number of Written Risk Management Program Reviews Conducted	0.00	0.00
<b>2</b> Number of On-site Consultations Conducted	0.00	0.00
<b>3</b> Number of Risk Management Training Sessions Conducted	0.00	0.00
<b>EFFICIENCY MEASURES:</b>		
<b>1</b> Cost Per Hour of Direct Risk Management Service Provided	0.00	0.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<b>1</b> % State Agency Facility Locations Provided On-site Consultations	0.00%	0.00%
<b>2</b> Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
<b>3</b> Amount of Grants Awarded for Loss Prevention Purposes	0.00	0.00
<b>4</b> Number of Grants Awarded for Loss Prevention Purposes	0.00	0.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	0	0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	0	0
777 INTERAGENCY CONTRACTS	0	0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:35:46PM**

Agency code: **479**

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

	Excp 2004	Excp 2005
<b>Item Name:</b> Statutory Increase to Executive Director's Salary		
<b>Allocation to Strategy:</b> 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims		
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<u>1</u> Cost of Workers' Compensation Per Covered State Employee	0.00	0.00
<b>OUTPUT MEASURES:</b>		
<u>1</u> Number of Initial Eligibility Determinations Made	0.00	0.00
<u>2</u> Number of Medical Bills Processed	0.00	0.00
<u>3</u> Number of Indemnity Bills Paid	0.00	0.00
<b>EFFICIENCY MEASURES:</b>		
<u>1</u> % Claims Processed within 7 Days	0.00%	0.00%
<u>2</u> % of Medical Bills Paid within 45 Days	0.00%	0.00%
<u>3</u> Average Cost to Administer Claim	0.00	0.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<u>1</u> Amount of Subrogation Payments Obtained	0.00	0.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	0	0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$0</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	0	0
777 INTERAGENCY CONTRACTS	0	0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$0</b>	<b>\$0</b>

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:35:46PM**

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

	Excp 2004	Excp 2005
<b>Item Name:</b>	Risk Management Information System (RMIS)	
<b>Allocation to Strategy:</b>	1-1-1      Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk M	
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> Incident Rate of Injuries & Illnesses/100 Covered FT State Employees	0.00%	0.00%
<b>2</b> % State Agencies with Approved Written Risk Management Plans	0.00%	0.00%
<b>OUTPUT MEASURES:</b>		
<b>1</b> Number of Written Risk Management Program Reviews Conducted	0.00	0.00
<b>2</b> Number of On-site Consultations Conducted	0.00	0.00
<b>3</b> Number of Risk Management Training Sessions Conducted	0.00	0.00
<b>EFFICIENCY MEASURES:</b>		
<b>1</b> Cost Per Hour of Direct Risk Management Service Provided	9.00	0.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<b>1</b> % State Agency Facility Locations Provided On-site Consultations	0.00%	0.00%
<b>2</b> Percentage of Total Assessments Collected Used for Claim Payments	0.00%	0.00%
<b>3</b> Amount of Grants Awarded for Loss Prevention Purposes	0.00	0.00
<b>4</b> Number of Grants Awarded for Loss Prevention Purposes	0.00	0.00
<b>OBJECTS OF EXPENSE:</b>		
2004    UTILITIES	8,000	0
2009    OTHER OPERATING EXPENSE	18,000	0
5000    CAPITAL EXPENDITURES	151,900	0
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$177,900</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>		
777    INTERAGENCY CONTRACTS	177,900	0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$177,900</b>	<b>\$0</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	0.0	0.0

**IV.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:35:47PM**

Agency code: **479**

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

	Excp 2004	Excp 2005
<b>Item Name:</b>	Additional Claims Administration Staffing	
<b>Allocation to Strategy:</b>	1-2-1 Review Claims, Determine Liability and Pay Eligible Claims	
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<b>1</b> Cost of Workers' Compensation Per Covered State Employee	3.00	2.00
<b>OUTPUT MEASURES:</b>		
<b>1</b> Number of Initial Eligibility Determinations Made	0.00	0.00
<b>2</b> Number of Medical Bills Processed	0.00	0.00
<b>3</b> Number of Indemnity Bills Paid	0.00	0.00
<b>EFFICIENCY MEASURES:</b>		
<b>1</b> % Claims Processed within 7 Days	0.00%	0.00%
<b>2</b> % of Medical Bills Paid within 45 Days	0.00%	0.00%
<b>3</b> Average Cost to Administer Claim	34.00	28.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<b>1</b> Amount of Subrogation Payments Obtained	0.00	0.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	355,080	355,080
2009 OTHER OPERATING EXPENSE	154,220	54,935
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$509,300</b>	<b>\$410,015</b>
<b>METHOD OF FINANCING:</b>		
1 GENERAL REVENUE FUND	509,300	410,015
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$509,300</b>	<b>\$410,015</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	11.0	11.0

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/18/2002**  
**TIME: 10:34:22PM**

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 - 0  
 OBJECTIVE: 1 Risk Management Service Categories:  
 STRATEGY: 1 Est Risk Mgt Guidelines; Assist/Review/Monitor Agencies' Risk Mgt Pgms Service: 05 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
<b>OBJECTS OF EXPENSE:</b>		
2004 UTILITIES	8,000	0
2009 OTHER OPERATING EXPENSE	18,000	0
5000 CAPITAL EXPENDITURES	151,900	0
<b>Total, Objects of Expense</b>	<b>\$177,900</b>	<b>\$0</b>
<b>METHOD OF FINANCING:</b>		
777 INTERAGENCY CONTRACTS	177,900	0
<b>Total, Method of Finance</b>	<b>\$177,900</b>	<b>\$0</b>

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Risk Management Information System (RMIS)  
 Statutory Increase to Executive Director's Salary

**IV.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
**Automated Budget and Evaluation System of Texas (ABEST)**

**DATE: 9/18/2002**  
**TIME: 10:34:37PM**

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

GOAL: 1 Manage Workers' Compensation Costs Statewide Goal/Benchmark: 7 - 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

<b>CODE DESCRIPTION</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<b>1</b> Cost of Workers' Compensation Per Covered State Employee	443.00	449.00
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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	355,080	355,080
1002 OTHER PERSONNEL COSTS	0	1,250,614
2009 OTHER OPERATING EXPENSE	154,220	54,935

<b>Total, Objects of Expense</b>	<b>\$509,300</b>	<b>\$1,660,629</b>
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**METHOD OF FINANCING:**

1 GENERAL REVENUE FUND	509,300	1,660,629
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<b>Total, Method of Finance</b>	<b>\$509,300</b>	<b>\$1,660,629</b>
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**FULL-TIME EQUIVALENT POSITIONS (FTE):**

11.0	11.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Medical Cost Containment Vendor Contract  
 Additional Claims Administration Staffing  
 Statutory Increase to Executive Director's Salary

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

**5005 Acquisition of Information Resource Technologies**

*2/2 Buy computers for SORM employees.*

**OBJECTS OF EXPENSE**

Informational

2009 OTHER OPERATING EXPENSE	\$0	\$0	\$37,500	\$37,500
Informational Subtotal OOE, Project 2	\$0	\$0	\$37,500	\$37,500
Subtotal OOE, Project 2	<b>\$0</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>

**TYPE OF FINANCING**

Informational

CA 1 GENERAL REVENUE FUND	\$0	\$0	\$27,000	\$25,500
CA 777 INTERAGENCY CONTRACTS	\$0	\$0	\$10,500	\$12,000
Informational Subtotal TOF, Project 2	\$0	\$0	\$37,500	\$37,500
Subtotal TOF, Project 2	<b>\$0</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>

*3/3 Upgrade Existing Personal Computer CPUs*

**OBJECTS OF EXPENSE**

Informational

2009 OTHER OPERATING EXPENSE	\$49,866	\$0	\$0	\$0
Informational Subtotal OOE, Project 3	\$49,866	\$0	\$0	\$0
Subtotal OOE, Project 3	<b>\$49,866</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**TYPE OF FINANCING**

Informational

CA 777 INTERAGENCY CONTRACTS	\$49,866	\$0	\$0	\$0
Informational Subtotal TOF, Project 3	\$49,866	\$0	\$0	\$0
Subtotal TOF, Project 3	<b>\$49,866</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*4/4 Risk Management Information System*

V.A. CAPITAL BUDGET PROJECT SCHEDULE  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME : 10:33:13PM

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

**OBJECTS OF EXPENSE**

Capital

2004 UTILITIES		\$0	\$0	\$0	\$0
2009 OTHER OPERATING EXPENSE		\$0	\$0	\$0	\$0
5000 CAPITAL EXPENDITURES		\$0	\$0	\$0	\$0
Capital Subtotal OOE, Project	4	\$0	\$0	\$0	\$0
Subtotal OOE, Project	4	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**TYPE OF FINANCING**

Capital

CA 777 INTERAGENCY CONTRACTS		\$0	\$0	\$0	\$0
Capital Subtotal TOF, Project	4	\$0	\$0	\$0	\$0
Subtotal TOF, Project	4	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Capital Subtotal, Category	5005	\$0	\$0	\$0	\$0
Informational Subtotal, Category	5005	\$49,866	\$0	\$37,500	\$37,500
<b>Total, Category</b>	<b>5005</b>	<b>\$49,866</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>
<b>AGENCY TOTAL -CAPITAL</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AGENCY TOTAL -INFORMATIONAL</b>		<b>\$49,866</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>
<b>AGENCY TOTAL</b>		<b>\$49,866</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>



V.A. CAPITAL BUDGET PROJECT SCHEDULE  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME : 10:33:14PM

Agency code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Category Code / Category Name

*Project Sequence/Project Id/ Name*

OOE / TOF / MOF CODE

Est 2002

Bud 2003

BL 2004

BL 2005

**METHOD OF FINANCING:**

Capital

777 INTERAGENCY CONTRACTS

\$0

\$0

\$0

\$0

Total, Method of Financing-Capital

\$0

\$0

\$0

\$0

Informational

1 GENERAL REVENUE FUND

\$0

\$0

\$27,000

\$25,500

777 INTERAGENCY CONTRACTS

\$49,866

\$0

\$10,500

\$12,000

Total, Method of Financing-Informational

\$49,866

\$0

\$37,500

\$37,500

**Total, Method of Financing**

**\$49,866**

**\$0**

**\$37,500**

**\$37,500**

**TYPE OF FINANCING:**

Capital

CA CURRENT APPROPRIATIONS

\$0

\$0

\$0

\$0

Total, Type of Financing-Capital

\$0

\$0

\$0

\$0

Informational

CA CURRENT APPROPRIATIONS

\$49,866

\$0

\$37,500

\$37,500

Total, Type of Financing-Informational

\$49,866

\$0

\$37,500

\$37,500

**Total, Type of Financing**

**\$49,866**

**\$0**

**\$37,500**

**\$37,500**

CAPITAL BUDGET PROJECT SCHEDULE (PART A.1) - EXCEPTIONAL  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME : 10:32:43PM  
 PAGE: 1 of 1

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

Category Code / Category Name

*Project Number / Name*

OOE / TOF / MOF CODE

Excp 2004

Excp 2005

5005 Acquisition of Information Resource Technologies

4 Risk Management Information System

**Objects of Expense**

2004 UTILITIES

8,000

0

2009 OTHER OPERATING EXPENSE

18,000

0

5000 CAPITAL EXPENDITURES

151,900

0

Subtotal OOE, Project 4

**177,900**

**0**

**Type of Financing**

CA 777 INTERAGENCY CONTRACTS

177,900

0

Subtotal TOF, Project 4

**177,900**

**0**

Subtotal Category 5005

**177,900**

**0**

AGENCY TOTAL

**177,900**

**0**

**METHOD OF FINANCING:**

777 INTERAGENCY CONTRACTS

177,900

0

Total, Method of Financing

**177,900**

**0**

**TYPE OF FINANCING:**

CA CURRENT APPROPRIATIONS

177,900

0

Total, Type of Financing

**177,900**

**0**

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002

TIME: 10:31:22PM

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

**PROJECT DESCRIPTION**

**General Information**

This project was completed in Fiscal 2002.

**Number of Units / Average Unit Cost** 49866

**Estimated Completion Date** 08/31/2002

<b>Additional Capital Expenditure Amounts Required</b>	<b>2006</b>	<b>2007</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS

**Projected Useful Life**

**Estimated/Actual Project Cost** \$ 49,866

**Length of Financing/ Lease Period**

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

2004	2005	2006	2007	Total over project life
0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

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

**Explanation:**

**Project Location:**

**Beneficiaries:**

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

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002

TIME: 10:31:22PM

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

**PROJECT DESCRIPTION**

**General Information**

Replace 1/3 of SORM's desktop computers each fiscal year.

**Number of Units / Average Unit Cost** 37500

**Estimated Completion Date** 08/31/2007

<b>Additional Capital Expenditure Amounts Required</b>	<b>2006</b>	<b>2007</b>
	37,500	37,500

**Type of Financing** CA CURRENT APPROPRIATIONS

**Projected Useful Life** 4 years

**Estimated/Actual Project Cost** \$ 150,000

**Length of Financing/ Lease Period**

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

2004	2005	2006	2007	Total over project life
0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

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

**Explanation:** Replacement of desktop computers is part of our seat management plan.

**Project Location:** SORM employees are all located on the 6th floor of the Clements building.

**Beneficiaries:** All SORM employees and claimants will benefit from employees having efficient machines.

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

Our machines are used constantly by most employees.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**

78th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002

TIME: 10:31:22PM

Agency Code: **479** Agency name: **STATE OFFICE OF RISK MANAGEMENT**  
 Category Number: **5005** Category Name: **ACQUISITN INFO RES TECH.**  
 Project number: **4** Project Name: **Risk Management Information System**

**PROJECT DESCRIPTION**

**General Information**

To port the CMS to a new, comprehensive Risk Management Information System to be maintained by the State Office of Risk Management.

**Number of Units / Average Unit Cost** 177,900  
**Estimated Completion Date** 08/31/2005  
**Additional Capital Expenditure Amounts Required**

	<b>2006</b>	<b>2007</b>
	0	0

**Type of Financing** CA CURRENT APPROPRIATIONS  
**Projected Useful Life** 10 Years  
**Estimated/Actual Project Cost** \$ 0

**Length of Financing/ Lease Period**

**ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS**

2004	2005	2006	2007	Total over project life
0	0	0	0	0

**REVENUE GENERATION / COST SAVINGS**

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

**Explanation:** Expenditure represented by the exceptional item is necessary and is requested to port the CMS to a new, comprehensive Risk Management Information System to be maintained by the State Office of Risk Management. The Office of the Attorney General is aware of SORM's intent to develop the new system and fully supports all efforts to this end.

**Project Location:** On the 6th floor of the Williams Clements Building.

**Beneficiaries:** SORM staff and 165 client state agencies who would benefit from the increased access to current information. Injured state employees would benefit from the faster processing of submitted claims.

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

Over 9,000 reports of injuries are received annually. Additionally, SORM currently receives multiple requests for data reports weekly.

**V.B. CAPITAL BUDGET SCHEDULE A, Part II - Project Information**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:31:22PM**

V.C. CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (BASELINE)  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:30:17PM

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

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2002	Bud 2003	BL 2004	BL 2005
<b>5005 Acquisition of Information Resource Technologies</b>					
2/2	PC Refresh II				
Informational 1-1-1	RISK MANAGEMENT PROGRAM	0	0	\$10,500	\$12,000
Informational 1-2-1	PAY WORKERS' COMPENSATION	0	0	27,000	25,500
	TOTAL, PROJECT	\$0	\$0	\$37,500	\$37,500
3/3	PC Refresh				
Informational 1-2-1	PAY WORKERS' COMPENSATION	49,866	0	0	0
	TOTAL, PROJECT	\$49,866	\$0	\$0	\$0
4/4	Risk Management Information System				
Capital 1-1-1	RISK MANAGEMENT PROGRAM	0	0	0	0
	TOTAL, PROJECT	\$0	\$0	\$0	\$0
	<b>TOTAL CAPITAL, ALL PROJECTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	<b>TOTAL INFORMATIONAL, ALL PROJECTS</b>	<b>\$49,866</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>
	<b>TOTAL, ALL PROJECTS</b>	<b>\$49,866</b>	<b>\$0</b>	<b>\$37,500</b>	<b>\$37,500</b>

**CAPITAL BUDGET ALLOCATION TO STRATEGIES BY PROJECT (PART A.3) - EXCEPTIONAL**

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**

TIME: **10:29:38PM**

PAGE: **1 of 1**

Agency code: **479**

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

**Category Code/Name**

**Project Number/Name**

<b>Goal/Obj/Str</b>	<b>Strategy Name</b>	<b>Excp 2004</b>	<b>Excp 2005</b>
5005 Acquisition of Information Resource Technologies			
4	Risk Management Information System		
1 1 1	RISK MANAGEMENT PROGRAM	8,000	0
1 1 1	RISK MANAGEMENT PROGRAM	18,000	0
1 1 1	RISK MANAGEMENT PROGRAM	151,900	0
	TOTAL, PROJECT	177,900	0
	<b>TOTAL, ALL PROJECTS</b>	<b>177,900</b>	<b>0</b>



V.D. CAPITAL BUDGET SCHEDULE B - OPERATING AND MAINTENANCE EXPENSES

DATE: 9/18/2002

78th Regular Session, Agency Submission, Version 1

TIME: 10:30:37PM

Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 479

Agency name: STATE OFFICE OF RISK MANAGEMENT

Project Number: 2

Project name: Buy computers for SORM employees.

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2004	2005	2006	2007
<b>OBJECTS OF EXPENSE:</b>				
2009 OTHER OPERATING EXPENSE	\$37,500	\$37,500	\$37,500	\$37,500
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$37,500</b>	<b>\$37,500</b>	<b>\$37,500</b>	<b>\$37,500</b>
<b>METHOD OF FINANCING:</b>				
1 GENERAL REVENUE FUND	\$26,250	\$26,250	\$26,250	\$26,250
777 INTERAGENCY CONTRACTS	\$11,250	\$11,250	\$11,250	\$11,250
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$37,500</b>	<b>\$37,500</b>	<b>\$37,500</b>	<b>\$37,500</b>

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

The project will directly support SORM's agency goals by facillitating access to mainframe and server applications, including scanned images, concurrently. New desktop computers with increased capacity will allow adjusters and bill auditors to effectively view all systems without crashing.

**II.A. SUMMARY OF BASE REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:18:39PM**

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

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>1</b> Workers' Compensation Payments					
<b>1</b> Workers' Compensation Payments					
<b>1</b> WORKERS' COMPENSATION PAYMENTS	23,777,379	68,438,419	74,311,000	83,300,000	83,300,000
<b>TOTAL, GOAL 1</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>0</b>	<b>0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
METHOD OF FINANCING:					
<b>1</b> General Revenue Fund	\$23,000,000	\$0	-\$18,000,000	\$0	\$0
<b>666</b> Appropriated Receipts	\$777,379	\$252,689	\$847,311	\$550,000	\$550,000
<b>777</b> Interagency Contracts	\$0	\$68,185,730	\$73,463,689	\$82,750,000	\$82,750,000
<b>788</b> Attorney General Debt Collection Receipts	\$0	\$0	\$18,000,000	\$0	\$0
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>

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

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:25:00PM**

Agency code: **40A**

Agency name: **WORKERS' COMPENSATION PAYMENTS**

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b><u>GENERAL REVENUE</u></b>					
<b><u>1</u></b> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations	0	84,825,775	0	0	0
<i>RIDER APPROPRIATION</i>					
H.B. 1 76th Leg., R.S. Art I, Page I-77 UB Authority	10,000,000	0	0	0	0
H.B. 1333 77th Leg., Tx Gov't Code 403.011	13,000,000	0	0	0	0
H.B. 1 77th Leg., R.S. Art I, Page I-77 UB Authority	0	-40,102,797	40,102,797	0	0
HB1, 77th Leg. RS Art IX, Sec 10.23, Pg IX-87 Contingent Appn HB2976	0	0	-1,700,000	0	0
HB1, 77th Leg. RS Art IX, Sec 10.39 (c) Pg IX-93 Rider HB2600	0	0	-2,724,958	0	0
<i>TRANSFERS</i>					
HB1 77th Leg., R.S. Art IX, Sec 10.23, Pg IX-87 HB2976-Reappropriation	0	-44,722,978	-44,722,978	0	0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	0	0	-8,954,861	0	0
<b>TOTAL, General Revenue Fund</b>	<b>\$23,000,000</b>	<b>\$0</b>	<b>-\$18,000,000</b>	<b>\$0</b>	<b>\$0</b>
<b><u>788</u></b> Attorney General Debt Collection Receipts					
<i>REGULAR APPROPRIATIONS</i>					
788 Attorney General Debt Collection Receipts	0	18,000,000	0	0	0
<i>RIDER APPROPRIATION</i>					
H.B. 1 77th Leg., Art. I, Page I-77 UB Authority	0	-18,000,000	18,000,000	0	0

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:25:59PM**

Agency code: <b>40A</b>		Agency name: <b>WORKERS' COMPENSATION PAYMENTS</b>			
<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>TOTAL, Attorney General Debt Collection Receipts</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,000,000</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, ALL GENERAL REVENUE</b>	<b>\$23,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>OTHER FUNDS</u></b>					
<b>666</b> Appropriated Receipts					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations	0	1,100,000	0	550,000	550,000
<i>RIDER APPROPRIATION</i>					
H.B. 1 76th Leg., R.S. Art I, Page I-77 UB Authority	480,474	0	0	0	0
H.B. 1 76th Leg., R.S. Art I, Page I-77, Paragraph 1	296,905	0	0	0	0
H.B. 1 77th Leg., R.S. Art I, Page I-77 UB Authority	0	-847,311	847,311	0	0
<b>TOTAL, Appropriated Receipts</b>	<b>\$777,379</b>	<b>\$252,689</b>	<b>\$847,311</b>	<b>\$550,000</b>	<b>\$550,000</b>
<b>777</b> Interagency Contracts					
<i>RIDER APPROPRIATION</i>					
HB1 77th Leg. R.S. Art IX, Section 10.23, Page IX-87 HB2976 Assessment	0	73,459,000	69,037,730	81,902,689	82,750,000
<i>UNEXPENDED BALANCES AUTH</i>					
HB1, 77th Leg. RS Art IX, Sec 10.23, Pg IX-87 Contingent Appn HB2976	0	-5,273,270	4,425,959	847,311	0
<b>TOTAL, Interagency Contracts</b>	<b>\$0</b>	<b>\$68,185,730</b>	<b>\$73,463,689</b>	<b>\$82,750,000</b>	<b>\$82,750,000</b>
<b>TOTAL, ALL OTHER FUNDS</b>	<b>\$777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>

**II.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
TIME: **10:25:59PM**

Agency code: **40A**

Agency name: **WORKERS' COMPENSATION PAYMENTS**

<b>METHOD OF FINANCING</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>Req 2004</b>	<b>Req 2005</b>
<b>GRAND TOTAL</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>

**FULL-TIME-EQUIVALENT POSITIONS**

**II.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/18/2002**  
 TIME: **10:26:41PM**

Agency code: **40A**

Agency name: **WORKERS' COMPENSATION PAYMENTS**

<b>OBJECT OF EXPENSE</b>	<b>Exp 2001</b>	<b>Est 2002</b>	<b>Bud 2003</b>	<b>BL 2004</b>	<b>BL 2005</b>
2009 OTHER OPERATING EXPENSE	\$23,777,379	\$68,438,419	\$74,311,000	\$83,300,000	\$83,300,000
<b>OOE Total (Excluding Riders)</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/18/2004  
 TIME : 10:27:39PM

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

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>1</b> Workers' Compensation Payments						
<b>1</b> <i>Workers' Compensation Payments</i>						
<b>1</b> WORKERS' COMPENSATION PAYMENTS	\$ 83,300,000	\$ 83,300,000	\$ 0	\$ 0	\$ 83,300,000	\$ 83,300,000
<b>TOTAL, GOAL 1</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>						
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>

**II.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/18/2002  
 TIME : 10:27:56PM

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

<b>Goal/Objective/STRATEGY</b>	<b>Base 2004</b>	<b>Base 2005</b>	<b>Exceptional 2004</b>	<b>Exceptional 2005</b>	<b>Total Request 2004</b>	<b>Total Request 2005</b>
<b>General Revenue Funds:</b>						
1 GENERAL REVENUE FUND	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
788 AG DEBT COLLECTION	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	550,000	550,000	0	0	550,000	550,000
777 INTERAGENCY CONTRACTS	82,750,000	82,750,000	0	0	82,750,000	82,750,000
	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 83,300,000</b>	<b>\$ 83,300,000</b>

**FULL TIME EQUIVALENT POSITIONS**



**III.B. STRATEGY REQUEST**  
 78th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
 TIME: 10:28:09PM

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

GOAL: 1 Workers' Compensation Payments Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Workers' Compensation Payments Service Categories:  
 STRATEGY: 1 Workers' Compensation Payments Service: 05 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2001	Est 2002	Bud 2003	BL 2004	BL 2005
<b>Objects of Expense:</b>						
2009	OTHER OPERATING EXPENSE	\$23,777,379	\$68,438,419	\$74,311,000	\$83,300,000	\$83,300,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$23,000,000	\$0	\$(18,000,000)	\$0	\$0
788	AG DEBT COLLECTION	\$0	\$0	\$18,000,000	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$23,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
666	APPROPRIATED RECEIPTS	\$777,379	\$252,689	\$847,311	\$550,000	\$550,000
777	INTERAGENCY CONTRACTS	\$0	\$68,185,730	\$73,463,689	\$82,750,000	\$82,750,000
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</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 state agencies, excluding the University of Texas and Texas A&M University Systems, and the Texas Department of Transportation. (Texas Labor Code, 412.011 (b) (4)) SORM is responsible for receiving and investigating reports of injury filed on behalf of state employees, determining whether a claim is compensable, paying income and medical benefits as due, and to act in the capacity of insurer. This strategy contributes directly to the priority goal of General State Government to support effective, efficient and accountable state government operations.

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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

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

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

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

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

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

**III.B. STRATEGY REQUEST**  
78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/18/2002  
TIME: 10:28:33PM

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$23,777,379</b>	<b>\$68,438,419</b>	<b>\$74,311,000</b>	<b>\$83,300,000</b>	<b>\$83,300,000</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>					

## Rider Revisions and Additions Request

Agency Code: 40A	Agency Name: State Office Of Risk Management (Workers Compensation Payments)	Prepared By: Stuart B. Cargile	Date: September 18, 2002	Request Level: Base
Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language		
1	I-77	<p>Appropriation - Subrogation Receipts.</p> <p>All sums of money recovered by the State Office of Risk Management from third parties by way of subrogation are hereby appropriated to the State Office of Risk Management during the biennium of receipt to be used for the payment of workers' compensation benefits to state employees. <del>Twenty-five percent of received funds shall be transferred to the agencies whose claims generated the subrogation receipts.</del></p> <p><i>The transfer to agencies of a portion of the subrogations is no longer necessary due to the assessment program established by House Bill 2976. If the proposed language for rider 701 below is accepted this entire rider is no longer necessary.</i></p>		

## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
2	I-77	<p>Cost Containment.</p> <p>The State Office of Risk Management shall submit a report detailing the effectiveness of various cost containment measures undertaken and proposing additional measures to reduce workers' compensation costs. This report shall be submitted to the legislative and executive budget offices, in the form those offices require, within forty-five days after the close of each fiscal year.</p> <p><i>No change proposed.</i></p>

## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
3	I-78	<p>Amount to be Spent on Worker's Compensation.</p> <p>The money appropriated above to the State Office of Risk Management for Workers' Compensation Payments represents 75 percent of the total projected costs of workers' compensation claim payments during the biennium. Per the section entitled Reimbursements for Workers' Compensation Payments, in the General Provisions of this Act, the Legislature intends that the remaining 25 percent of the cost of workers' compensation claim payments will be paid by agencies whose employees receive the payments.</p> <p>Contingent upon reimbursement to the Workers' Compensation Payments appropriation from other state agencies for payment of 25% of workers compensation claims as required by this Act, the State Office of Risk Management may temporarily utilize additional general revenue funds in an amount not to exceed the anticipated 25% reimbursement for the biennium. The general revenue amounts utilized above the general revenue method of finance must be repaid upon receipt of 25% reimbursement from other state agencies and shall be utilized only for the purpose of temporary cash flow. These transfers and repayments shall be credited to the fiscal year being reimbursed and shall be in accordance with procedures established by the Comptroller. All transfers of the method of finance shall be reported by the State Office of Risk Management to the Legislative Budget Board.</p> <p><i>This rider is longer necessary due to the assessment program established by House Bill 2976.</i></p>

## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
4	I-78	<p>Reporting of Workers' Compensation Claims.</p> <p>For the purpose of reporting expenditures to the Uniform Statewide Accounting System (USAS), it is the intent of the Legislature that the State Office of Risk Management (SORM) account for payments of workers' compensation claims based on the date on which the bill for services is presented for payment to SORM.</p> <p>In addition, not later than November 1 of each year, the State Office of Risk Management shall submit a report to the Comptroller of Public Accounts, the Governor's Office, and the Legislative Budget Board which accounts for workers' compensation expenditures for the preceding appropriation year based on the date on which the injury occurred and the medical or related service was performed.</p> <p><i>No change proposed.</i></p>

### Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
5	I-78	<p data-bbox="751 521 1226 553"><del>Expenditure for Prior Year's Claims.</del></p> <p data-bbox="751 594 1885 737"><del>It is the intent of the Legislature that the State Office of Risk Management be authorized to expend an amount not to exceed \$3 million from the appropriation for Workers' Compensation Payments for fiscal year 2002, for workers' compensation claims arising during fiscal year 2001.</del></p> <p data-bbox="751 781 1860 885"><i>This rider is no longer necessary due to the assessment program established by House Bill 2976 and the inclusion of the rider for reporting of workers' compensation claims, number 4 above.</i></p>



## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
701	I	<p><u>Workers' Compensation Assessment/Allocation</u></p> <p><u>Notwithstanding other provisions in this Act, participating agencies shall transfer to the State Office of Risk Management their assessed allocation amounts for worker's compensation coverage for their employees from funding in the same proportion as their expected payroll funding. All funds recovered by the State Office of Risk Management from third parties by way of subrogation are appropriated to the State Office of Risk Management to be used for the payment of workers' compensation benefits to state employees and shall be retained in Strategy A.1.1, Workers' Compensation Payments, in whole for that purpose.</u></p> <p><u>Amounts not to exceed 2 percent in total of workers' compensation annual expenditures may be awarded to participating agencies by the State Office of Risk Management for the purposes of risk management and loss prevention. In the event that Strategy A.1.1, Workers' Compensation Payments, funded by the annual assessments to participating agencies, exceeds 110 percent of the expected annual payments, the excess over 110 percent will be returned to General Revenue Fund. An excess of 10 percent or less will be used to lower the cumulative assessments to participating agencies the following year.</u></p> <p><u>In the event the total assessments in any year prove insufficient to fund expenditures, the State Office of Risk Management may temporarily utilize additional general revenue in an amount not to exceed 20 percent of the cumulative assessments for that year. Any additional general revenue funds will be utilized only for the purpose of temporary cash flow and must be repaid upon receipt of the following year's assessments in accordance with procedures established by the Comptroller. All transfers from and repayments to the General Revenue Fund shall be reported by the State Office of Risk Management to the Legislative Budget Board.</u></p> <p><i>This rider is proposed to move the relevant language from Section 10.23, page IX-88 to the appropriation strategy. With this proposed rider current rider 1 above is no longer necessary.</i></p>

## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
6.37	IX-58	<p><u>Reimbursements for Payment of Workers' Compensation Payments Assessments.</u></p> <p>(a) <del>At the close beginning of each fiscal quarter year, the State Office of Risk Management shall prepare a statement reflecting the amount of workers' compensation benefits paid to, or on behalf of, former and current state employees based on wages earned from state employment assessments due from state agencies, institutions, or other units of state government and present it to the Comptroller.</del></p> <p>(b) <del>The General Revenue Fund shall be reimbursed, for 25 percent of the workers' compensation benefits paid out of strategy item A.1.1., Workers' Comp Payments, from appropriations made elsewhere in this Act to the state agency that previously employed or currently employs each former or current state employee whose payroll warrants were originally issued in whole or in part from the General Revenue Fund, dedicated General Revenue Fund accounts, or Other Special Funds. From information provided by the State Office of Risk Management, the Comptroller shall determine the proportionate amount of the reimbursement or payment due from the General Revenue Fund, dedicated General Revenue Fund accounts, and Other Special Fund appropriations and transfer such amounts to the General Revenue Fund. The amounts reimbursed pursuant to this subsection are hereby appropriated for the purpose of paying workers' compensation benefits out of strategy item A.1.1., Workers' Comp Payments, for current and former state employees. The reimbursement requirements established by this subsection may be waived, either in whole or in part, by the Legislative Budget Board.</del></p> <p>(c) <del>In addition to other amounts, the General Revenue Fund shall be reimbursed, for 75 percent of the workers' compensation benefits paid, from balances in dedicated General Revenue Fund accounts and in Other Special Funds, and shall be fully reimbursed from funds held in local bank accounts, for all former and current state employees whose payroll warrants were originally issued in whole or in part from dedicated General Revenue Fund accounts, Other Special Funds or local bank accounts, respectively. From information provided by the State Office of Risk Management, the Comptroller shall determine the proportionate amount of the reimbursement or payment due from funds other than General Revenue and transfer such funds to the General Revenue Fund. Twenty-five percent of the amounts reimbursed from</del></p> <p><i>Continued on the next page.</i></p>

## Rider Revisions and Additions Request

Current Rider Number	Page Number in 2002-03 GAA	Proposed Rider Language
6.37 (continued)	IX-58	<p>local funds pursuant to this subsection are hereby appropriated for the purpose of paying workers' compensation benefits out of strategy item A.1.1., Workers' Comp Payments, for current and former state employees. <u>Notwithstanding other provisions in this Act, participating agencies shall transfer to the State Office of Risk Management their assessed allocation amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Special Funds or local bank accounts.</u></p> <p><del>(d)</del> <u>(c)</u> Transfers and payments as are authorized under law shall be made not more than 30 days from receipt of the statement of payments due.</p> <p><del>(e)</del> <u>(d)</u> The Comptroller may prescribe accounting procedures and regulations to implement this section.</p> <p><del>(f)</del> <u>(e)</u> The Comptroller on certification of amounts due from the State Office of Risk Management; <del>including the sources of such amounts due;</del> may transfer funds from such state agencies or institutions or other units of state government as the State Office of Risk Management certifies remain due more than 30 days from receipt of the statement of payments due. <del>The State Office of Risk Management shall also determine the amounts due from funds held outside the state treasury and notify the State Auditor and Comptroller of such amounts.</del></p> <p><del>(g)</del> This subsection is contingent upon enactment of House Bill 2976, or similar legislation, relating to the establishment of an allocation program for the funding of workers' compensation. <del>Notwithstanding other provisions in this Act, participating agencies shall transfer to the State Office of Risk Management their assessed allocation amounts for workers' compensation coverage for their employees from funding in the same proportion as their expected payroll funding, including General Revenue Funds, dedicated General Revenue Fund accounts, Other Special Funds or local bank accounts. Subsections (b), (c), (d), (e), and (f) of this section are repealed to the extent that they conflict with this section.</del></p> <p><i>The proposed changes remove language no longer necessary due to the establishment of the workers' compensation assessment program.</i></p>

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

78th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/18/2002  
Time: 10:29:06PM

Agency Code: 479      Agency: STATE OFFICE OF RISK MANAGEMENT

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2000 - 2001 HUB Expenditure Information**

Procurement Category	Statewide Adjusted HUB Goals	Adjusted HUB Expenditures FY 2000		Total Expenditures FY 2000	Adjusted HUB Expenditures FY 2001		Total Expenditures FY 2001
		HUB %	HUB \$		HUB %	HUB \$	
Heavy Construction	6.6%	0.0%	\$0	\$0	0.0%	\$0	\$0
Building Construction	25.1%	0.0%	\$0	\$0	0.0%	\$0	\$0
Special Trade Construction	47.0%	0.0%	\$0	\$0	0.0%	\$0	\$0
Professional Services	18.1%	0.0%	\$0	\$0	0.0%	\$0	\$0
Other Services	33.0%	77.0%	\$1,115,316	\$1,448,032	93.0%	\$1,426,750	\$1,534,443
Commodities	11.5%	46.0%	\$83,547	\$181,450	53.0%	\$124,464	\$234,713
<b>Total Expenditures</b>		<b>73.6%</b>	<b>\$1,198,863</b>	<b>\$1,629,482</b>	<b>87.7%</b>	<b>\$1,551,214</b>	<b>\$1,769,156</b>

**B. Assessment of Fiscal Year 2000 - 2001 Efforts to Meet HUB Procurement Goals**

**Attainment:**

The agency exceeded two of two, or 100% of the applicable statewide HUB procurement goals in FY 2000.  
The agency exceeded two of the two or 100% applicable statewide HUB procurement goals in FY 2001.

**Applicability:**

The "Heavy Construction", "Building Construction", Special Trades, or Professional Services categories are not applicable to agency operations in either fiscal year 2000 or fiscal year 2001, since the agency did not have any strategies or programs related to this type of construction.

**Factors Affecting Attainment:**

We exceeded our state goals.

**"Good-Faith" Efforts:**

SORM attained an overall HUB % of 74.1% in FY00 & 87.9% in FY01. SORM's written purchasing require solicitation of HUB vendors for all competitive procurements. SORM made the following good faith efforts beyond the requirements of 1 TAC Sec111.13(c):

**OUTREACH:**

- Distributed literature & bid opportunities at over 14 HUB forums & other outreach events.
- Developed/maintained ongoing comm. with organizations that serve small, minority, & women-owned businesses.
- Facilitated meetings between HUB vendors & OAG purchasing staff.
- Updated HUB program information on the OAG web site.
- Initiated an effort to compile "HUB Coord. Desk Refer Guide" for use by all HUB Coord.
- Assisted HUBs in obtaining certification and re-certification.

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

78th Regular Session, Agency Submission, Version 1  
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Date: **9/18/2002**  
Time: **10:29:19PM**

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

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Created a presentation for HUB vendors to Target Their Market in State Gov. which has proved extremely useful.

Facilitated matching a mentor/protégé pair

**IN-REACH:**

Kept lines of communication open to div end users for HUB sources

Met monthly with OAG purchasers on HUB related issues.

Worked closely with Purchasing staff to incr use of adjusted HUBs

**OTHER:**

Attended TBPC HUB Coop Committe, "Doing Business Tx Style",

Mentor/Protégé Coop meetings

## VI.B. Current Biennium One-time Expenditure Schedule

Agency Code:	Agency Name:	Prepared By:	Date:	
479	State Office of Risk Management	Stuart B. Cargile	9/17/2002	
Item	2002		2003	
	Amount	MOF	Amount	MOF
Buildout to accommodate new FTE's	\$252,885	777		
Buildout to accommodate new FTE's	\$22,867	1		
Archiving Documents	\$150,000	777		