



*Legislative Appropriations Request
for Fiscal Years 2008 and 2009*

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

by

STATE OFFICE of RISK MANAGEMENT

August 18, 2006

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CERTIFICATE

Agency Name _____ State Office of Risk Management

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

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the GOBPP will be notified in writing in accordance with Article IX, Section 7.01 (2006-07 GAA).

Chief Executive Office or Presiding Judge

Signature
Jonathan D. Bow
Printed Name
Executive Director
Title
August 21, 2006
Date

Board or Commission Chair

Signature
Ernest C. Garcia
Printed Name
Chairman, Board of Directors
Title
August 21, 2006
Date

Chief Financial Officer

Signature
Stuart B. Cargile
Printed Name
Director of Fund Accounting
Title
August 21, 2006
Date

Administrator's Statement

The State Office of Risk Management (Office) was established in 1997 by the 75th Legislature. The Office is mandated by Texas Labor Code §412.011 to administer insurance services obtained by state agencies, including the government employees workers' compensation insurance program and the state risk management programs. The Office's mission is to provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the state's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

The Office provides coverage and risk management services for all state agencies subject to Chapters 412 and 501 of the Texas Labor Code with the exception of the Texas A&M System (A&M), the University of Texas System (UT), and the Texas Department of Transportation (TxDOT). These entities operate separate workers' compensation and risk management programs pursuant to Texas Labor Code Chapters 502, 503, and 505, respectively. (Texas Tech University is partially exempted and operates its own risk management program, while workers' compensation claims services are statutorily provided by the Office pursuant to Texas Labor Code 501.022.) The Employees Retirement System (ERS) and Teacher Retirement System (TRS) have authority pursuant to HB 2425, 78th Legislature, and SB 1691, 79th Legislature, to obtain the services provided by the Office through other means. Both entities are currently participating in the Office's programs with different cost reimbursement methodologies than other participating agencies.

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

- administer the workers' compensation insurance program for state employees established under Chapter 501, Texas Labor Code;
- operate as a full-service risk manager and insurance manager for state agencies;
- maintain and review records of property, casualty, or liability insurance coverages purchased by or for state agencies;
- administer the program for the purchase of surety bonds for state officers and employees;
- administer guidelines adopted by the Board for a comprehensive risk management program applicable to all state agencies to reduce property and liability losses, including workers' compensation losses;
- review, verify, monitor, and approve risk management programs adopted by state agencies;
- assist state agencies that have not implemented an effective risk management program to implement a comprehensive program that meets the guidelines established by the Board; and
- provide risk management services for employees of community supervision and corrections departments established under Chapter 76, Government Code, as if the employees were employees of a state agency.

The Office is funded with a combination of General Revenue and Interagency Contracts (IAC). The Risk Management program and Workers' Compensation Claim Payments are funded by IAC through annual assessments to state agencies pursuant to Chapter 412, Texas

Labor Code. The assessments, similar to annual premiums, are determined by formula based on historic FTE, payroll, claims, and claims cost data. Beginning in FY 2005, a portion of the Pay Workers' Compensation strategy is also funded by IAC through the assessments. This funding is used for medical cost containment services and other costs related to reducing claim payments. The remaining administrative expenditures for the Pay Workers' Compensation strategy, other than the limited IAC funding, are funded by a direct General Revenue appropriation.

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

Ernest C. Garcia, J.D., Chairman

Austin, Texas

Term to expire February 1, 2009

Ronald J. Walenta, Vice Chairman

Dallas, Texas

Term to expire February 1, 2011

Ronald D. Beals, M.D.

Tyler, Texas

Term to expire February 1, 2007

Kenneth N. Mitchell

El Paso, Texas

Term to expire February 1, 2009

Martha A. Rider

Houston, Texas

Term to expire February 1, 2007

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

The Office has made significant strides in meeting the goals of its enabling legislation in the last two biennia as it continues to work to clarify its role and processes through recommendations for changes to the Legislature and through changes to its internal philosophy and organization.

In the Office’s workers’ compensation program, for the first time in seven years the cost of providing workers’ compensation benefits for injured state employees went down in FY 2004 and was the first significant reduction in over a decade. The total required to provide indemnity and medical benefits was \$14 million dollars less than in FY 2003, and \$22 million less than the liability projected by the Office’s actuarial consultant. The rapid decrease in expenditures is the result of a number of factors, including greater accountability on the part of agencies for losses, improved claims processing by the Office, and improved safety practices on the part of client agencies. These improvements have directly translated into savings for state agencies and the State as a whole. The total assessments to state agencies for payment of claims costs for FY 2005 was \$19.4 million less than FY 2003, and \$21.7 million less than FY 2004. Claim costs continued to decrease in FY 2005 by an additional \$2 million and the Office is currently on target to see a potential \$8 million further reduction in FY 2006. In addition, the Office returned to client agencies approximately \$7.5 million from the original FY 2006 assessment in June, 2006.

Finally, the Insurance Purchasing Program has continued to expand, and the Office has implemented five lines of sponsored insurance to date, available to all covered state agencies: Directors’ and Officers’ with Employment Practices Liability, Special Events General Liability, Automobile, Volunteer and Property policies. Savings as a result of centralizing these state insurance purchases have exceeded half a million dollars thus far, and savings are expected to continue to grow as new lines are implemented.

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

Fiscal Year	Number of First Reports of Injury	Medical Benefits Paid	Indemnity Benefits Paid	Number of Injuries per 100 FTEs
2005	3	\$2,989	\$0	2.60
2006	0	\$0	\$0	0.00
Biennium Total	3	\$2,989	\$0	

SORM has prepared it funding request consistent with instructions for the mandatory reduction. This reduction will result in the loss of

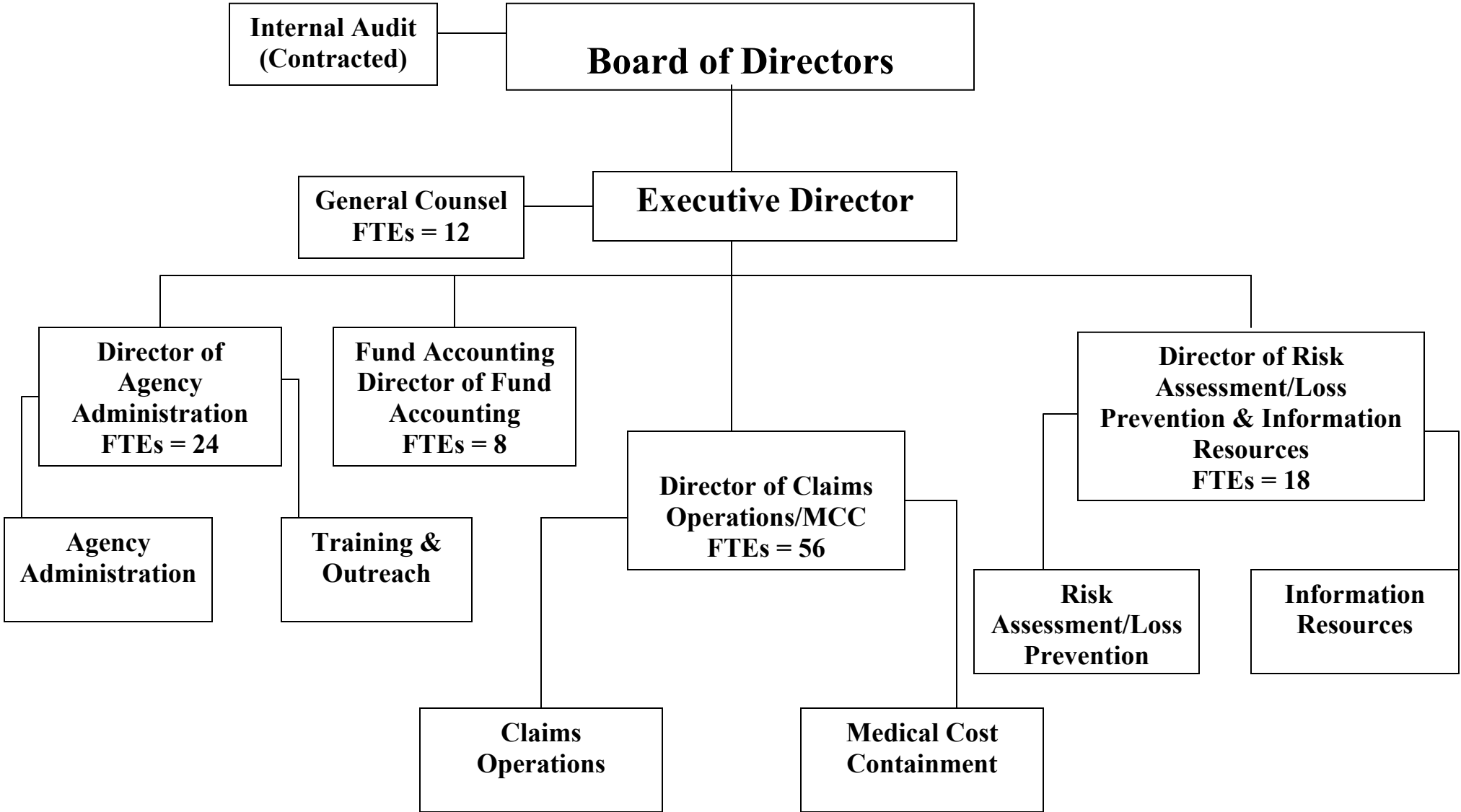
nine workers' compensation administration FTEs. If adequate resources for adjusting claims and cost containment for medical bills is not available, the anticipated additional savings noted above may not be realized and the historical savings achieved in the program are at risk of escalating. At the direction of the Board of Directors, the Office has included an exceptional item request that will enable it to fulfill its statutory mandates during the next fiscal biennium. We appreciate your favorable consideration of this request.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jonathan D. Bow', written in a cursive style.

Jonathan D. Bow, J.D.
Executive Director

State Office of Risk Management



Descriptions of Functional Units

Board of Directors:

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

Executive Director:

The Executive Director's duties are described at Texas Labor Code, §412.041. The Director serves as the State Risk Manager and administrator of the state's workers' compensation insurance program, and is responsible for the oversight of all the agency's functions.

General Counsel:

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

Claims Operations:

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

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

Agency Administration:

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

Agency Outreach and Training:

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

Fund Accounting:

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

Risk Assessment and Loss Prevention:

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

Information Resources:

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

2.A. SUMMARY OF BASE REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:20:24AM**

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

Goal / Objective / STRATEGY	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
1 <u>Manage Workers' Compensation Costs</u>					
1 <u>Risk Management</u>					
1 RISK MANAGEMENT PROGRAM	1,883,815	1,922,099	2,030,228	2,003,228	2,003,228
2 <u>Claims Administration</u>					
1 PAY WORKERS' COMPENSATION	4,964,218	5,707,012	6,373,116	5,980,198	5,980,198
TOTAL, GOAL 1	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
TOTAL, AGENCY STRATEGY REQUEST	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 GENERAL REVENUE FUND	4,090,953	3,783,744	3,955,264	3,580,198	3,580,198
SUBTOTAL	\$4,090,953	\$3,783,744	\$3,955,264	\$3,580,198	\$3,580,198
Other Funds:					
666 APPROPRIATED RECEIPTS	2,147	317	150	0	0
777 INTERAGENCY CONTRACTS	2,754,933	3,845,050	4,447,930	4,403,228	4,403,228
SUBTOTAL	\$2,757,080	\$3,845,367	\$4,448,080	\$4,403,228	\$4,403,228
TOTAL, METHOD OF FINANCING	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426

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

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:23:25AM**

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

METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Art I, Page I-73 (2006-2007 GAA)	\$0	\$3,619,466	\$3,620,665	\$0	\$0
Art I, Page I-76 (2004-2005 GAA)	\$3,461,603	\$0	\$0	\$0	\$0
Art. I, (2008-2009 GAA)	\$0	\$0	\$0	\$3,580,198	\$3,580,198
<i>RIDER APPROPRIATION</i>					
Art I, para 3, Page I-77 (UB) (2004-2005 GAA)	\$727,225	\$0	\$0	\$0	\$0
Art IX, Sec 13.17(a), Salary Increase (2006-07 GAA)	\$0	\$180,168	\$0	\$0	\$0
Art IX, Sec 13.17(a), Salary Increase (2006-07 GAA)	\$0	\$0	\$334,599	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 12.01, Reduction of Management Costs (2004-05 GAA)	\$(55,380)	\$0	\$0	\$0	\$0
Art IX, Sec 12.03, Retirement Incentives (2004-05 GAA)	\$6,720	\$0	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:23:33AM**

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

METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>GENERAL REVENUE</u>					
Art IX, Sec 12.03, Retirement Incentives (2004-05 GAA)	\$ (49,215)	\$ 0	\$ 0	\$ 0	\$ 0
Art IX, Sec 5.09, Reductions for Commercial Air Travel (2006-07 GAA)	\$ 0	\$ (15,890)	\$ 0	\$ 0	\$ 0
TOTAL, General Revenue Fund	\$4,090,953	\$3,783,744	\$3,955,264	\$3,580,198	\$3,580,198
TOTAL, ALL GENERAL REVENUE	\$4,090,953	\$3,783,744	\$3,955,264	\$3,580,198	\$3,580,198

OTHER FUNDS

666 Appropriated Receipts

RIDER APPROPRIATION

Art IX, Sec 8.03, Reimbursements and Payments (2004-05 GAA)	\$ 2,147	\$ 0	\$ 0	\$ 0	\$ 0
Art IX, Sec 8.03, Reimbursements and Payments (2006-07 GAA)	\$ 0	\$ 317	\$ 150	\$ 0	\$ 0
Art IX, Sec 8.03, Reimbursements and Payments (2008-09 GAA)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL, Appropriated Receipts	\$2,147	\$317	\$150	\$0	\$0

777 Interagency Contracts

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:23:33AM**

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

METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>OTHER FUNDS</u>					
<i>REGULAR APPROPRIATIONS</i>					
Art I, Page I-73 (2006-2007 GAA)	\$0	\$4,354,930	\$4,354,930	\$0	\$0
Art I, Page I-76 (2004-2005 GAA)	\$4,521,968	\$0	\$0	\$0	\$0
Art. I, (2008-2009 GAA)	\$0	\$0	\$0	\$4,403,228	\$4,403,228
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 6.16(j), Capital Budget UB (2006-07 GAA)	\$0	\$(93,000)	\$93,000	\$0	\$0
Art IX, Sec 6.17(j), Capital Budget UB (2004-05 GAA)	\$98,642	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 12.03, Retirement Incentives (2004-05 GAA)	\$(64,225)	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations-Authority Only	\$(1,790,614)	\$0	\$(416,880)	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:23:33AM**

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>OTHER FUNDS</u>					
Lapsed Appropriations-Cash	\$ (10,838)	\$ 0	\$ 0	\$ 0	\$ 0
<i>UNEXPENDED BALANCES AUTHORITY</i>					
Art I, para 4 Page I-78, Appn of UB for Cost Containment (2006-07) GAA	\$ 0	\$ (416,880)	\$ 416,880	\$ 0	\$ 0
TOTAL, Interagency Contracts	\$2,754,933	\$3,845,050	\$4,447,930	\$4,403,228	\$4,403,228
TOTAL, ALL OTHER FUNDS	\$2,757,080	\$3,845,367	\$4,448,080	\$4,403,228	\$4,403,228
GRAND TOTAL	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
<u>FULL-TIME-EQUIVALENT POSITIONS</u>					
REGULAR APPROPRIATIONS	124.0	124.0	124.0	115.0	115.0
LAPSED APPROPRIATIONS					
Lapsed due to vacancies related to turnover	(8.7)	(5.5)	0.0	0.0	0.0
TOTAL, ADJUSTED FTES	115.3	118.5	124.0	115.0	115.0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
TIME: **9:23:33AM**

Agency code: 479	Agency name: State Office of Risk Management				
METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
NUMBER OF 100% FEDERALLY FUNDED FTEs	0.0	0.0	0.0	0.0	0.0

2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:24:28AM**

OBJECT OF EXPENSE	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
Agency code: 479	Agency name: State Office of Risk Management				
1001 SALARIES AND WAGES	\$4,202,289	\$4,649,466	\$4,880,770	\$4,585,443	\$4,585,443
1002 OTHER PERSONNEL COSTS	\$377,096	\$135,664	\$135,840	\$126,840	\$126,840
2001 PROFESSIONAL FEES AND SERVICES	\$1,420,393	\$2,012,585	\$2,459,239	\$2,459,239	\$2,459,239
2003 CONSUMABLE SUPPLIES	\$54,564	\$55,566	\$51,254	\$53,944	\$53,944
2004 UTILITIES	\$5,815	\$5,712	\$5,881	\$6,091	\$6,091
2005 TRAVEL	\$137,971	\$137,214	\$119,155	\$120,000	\$120,000
2006 RENT - BUILDING	\$5,864	\$5,864	\$6,010	\$6,036	\$6,036
2007 RENT - MACHINE AND OTHER	\$23,408	\$23,408	\$24,642	\$25,833	\$25,833
2009 OTHER OPERATING EXPENSE	\$578,482	\$603,632	\$534,553	\$600,000	\$600,000
5000 CAPITAL EXPENDITURES	\$42,151	\$0	\$186,000	\$0	\$0
OOE Total (Excluding Riders)	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
OOE Total (Riders)					
Grand Total	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

Date : 8/22/2006

80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Time: 9:21:45AM

Agency code: 479

Agency name: State Office of Risk Management

Goal/ Objective / Outcome	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1 Manage Workers' Compensation Costs <i>Risk Management</i>					
KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees					
	4.21%	4.10%	4.20%	4.20%	4.20%
2 % State Agencies with Approved Written Risk Management Plans					
	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Claims Administration</i>					
KEY 1 Cost of Workers' Compensation Per Covered State Employee					
	348.00	291.06	303.97	301.70	301.70
2 Cost of Workers' Compensation Coverage per \$100 State Payroll					
	0.00	0.90	1.00	1.01	1.01

2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME : 9:23:42AM

Agency code: 479

Agency name: State Office of Risk Management

Priority	Item	2008			2009			Biennium	
		GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds	FTEs	GR and GR/Dedicated	All Funds
1	Maintain Claims Admin Staffing		\$361,212	9.0		\$361,212	9.0		\$722,424
Total, Exceptional Items Request			\$361,212	9.0		\$361,212	9.0		\$722,424

Method of Financing

General Revenue									
General Revenue - Dedicated									
Federal Funds									
Other Funds		361,212			361,212				722,424
		\$0	\$361,212		\$0	\$361,212		\$0	\$722,424

Full Time Equivalent Positions

9.0

9.0

Number of 100% Federally Funded FTEs

0.0

0.0

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/22/2006
 TIME : 9:22:05AM

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

Goal/Objective/STRATEGY	Base 2008	Base 2009	Exceptional 2008	Exceptional 2009	Total Request 2008	Total Request 2009
1 Manage Workers' Compensation Costs						
1 <i>Risk Management</i>						
1 RISK MANAGEMENT PROGRAM	\$2,003,228	\$2,003,228	\$0	\$0	\$2,003,228	\$2,003,228
2 <i>Claims Administration</i>						
1 PAY WORKERS' COMPENSATION	5,980,198	5,980,198	361,212	361,212	6,341,410	6,341,410
TOTAL, GOAL 1	\$7,983,426	\$7,983,426	\$361,212	\$361,212	\$8,344,638	\$8,344,638
TOTAL, AGENCY STRATEGY REQUEST	\$7,983,426	\$7,983,426	\$361,212	\$361,212	\$8,344,638	\$8,344,638
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$7,983,426	\$7,983,426	\$361,212	\$361,212	\$8,344,638	\$8,344,638

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/22/2006**
 TIME : **9:22:13AM**

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

Goal/Objective/STRATEGY	Base 2008	Base 2009	Exceptional 2008	Exceptional 2009	Total Request 2008	Total Request 2009
1 GENERAL REVENUE FUND	\$3,580,198	\$3,580,198	\$0	\$0	\$3,580,198	\$3,580,198
	\$3,580,198	\$3,580,198	\$0	\$0	\$3,580,198	\$3,580,198
666 APPROPRIATED RECEIPTS	0	0	0	0	\$0	\$0
777 INTERAGENCY CONTRACTS	4,403,228	4,403,228	361,212	361,212	\$4,764,440	\$4,764,440
	\$4,403,228	\$4,403,228	\$361,212	\$361,212	\$4,764,440	\$4,764,440
TOTAL, METHOD OF FINANCING	\$7,983,426	\$7,983,426	\$361,212	\$361,212	\$8,344,638	\$8,344,638
FULL TIME EQUIVALENT POSITIONS	115.0	115.0	9.0	9.0	124.0	124.0

2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES

80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/22/2006

Time: 9:24:08AM

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

Goal/ Objective / Outcome

	BL 2008	BL 2009	Excp 2008	Excp 2009	Total Request 2008	Total Request 2009
1 Manage Workers' Compensation Costs						
1 Risk Management						
KEY 1 Incident Rate of Injuries & Illnesses/100 Covered FT State Employees						
	4.20%	4.20%			4.20%	4.20%
2 % State Agencies with Approved Written Risk Management Plans						
	100.00%	100.00%			100.00%	100.00%
2 Claims Administration						
KEY 1 Cost of Workers' Compensation Per Covered State Employee						
	301.70	301.70	303.79	303.79	303.79	303.79
2 Cost of Workers' Compensation Coverage per \$100 State Payroll						
	1.01	1.01	1.02	1.02	1.02	1.02

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 9:22:32AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
5000	CAPITAL EXPENDITURES	\$42,151	\$0	\$54,000	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$1,883,815	\$1,922,099	\$2,030,228	\$2,003,228	\$2,003,228
Method of Financing:						
1	GENERAL REVENUE FUND	\$0	\$60,169	\$114,298	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$60,169	\$114,298	\$0	\$0
Method of Financing:						
666	APPROPRIATED RECEIPTS	\$10	\$0	\$0	\$0	\$0
777	INTERAGENCY CONTRACTS	\$1,883,805	\$1,861,930	\$1,915,930	\$2,003,228	\$2,003,228
SUBTOTAL, MOF (OTHER FUNDS)		\$1,883,815	\$1,861,930	\$1,915,930	\$2,003,228	\$2,003,228
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,003,228	\$2,003,228
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,883,815	\$1,922,099	\$2,030,228	\$2,003,228	\$2,003,228
FULL TIME EQUIVALENT POSITIONS:		32.6	34.5	36.5	36.5	36.5
STRATEGY DESCRIPTION AND JUSTIFICATION:						

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 9:22:32AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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The Executive Director of the Office serves as the State Risk Manager. The Office provides services to 145 state agencies and 120 Community Supervision and Corrections Departments (CSCDs). The Office's programs include approximately 173,000 state employees, over \$11 billion dollars in capital investments, and approximately \$2.6 billion in fixed assets at historical costs. The Office provides field safety inspections, training, an interactive Risk Management Information System (RMIS) and assistance to client agencies in mitigating risks identified in the Risk Evaluation and Planning System (REPS).

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

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

The internal factors that are likely to impact risk management efforts are: inability to maintain current staffing levels with appropriate risk management skills and expertise; reduction in allocated FTEs reducing capacity to perform the minimum number of Risk Management Program Reviews & On-Site Consultations; ability of current staff to maintain increasingly detailed client agency information; adequacy of financial resources to allow staff to travel to client agency locations; and extent to which the Office is asked by agencies to support the development of Enterprise Risk Management programs and concepts.

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 9:22:32AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
Output Measures:						
1	Number of Initial Eligibility Determinations Made	8,357.00	7,667.00	8,000.00	8,000.00	8,000.00
2	Number of Medical Bills Processed	179,181.00	149,045.00	149,000.00	149,000.00	149,000.00
3	Number of Indemnity Bills Paid	53,268.00	45,717.00	45,000.00	45,000.00	45,000.00
Efficiency Measures:						
1	% Claims Processed within 15 Days	97.10 %	97.67 %	100.00 %	100.00 %	100.00 %
2	% of Medical Bills Paid within 45 Days	88.85 %	99.56 %	100.00 %	100.00 %	100.00 %
3	Average Cost to Administer Claim	410.00	505.11	554.75	522.00	522.00
Objects of Expense:						
1001	SALARIES AND WAGES	\$2,821,304	\$3,129,757	\$3,188,556	\$2,896,638	\$2,896,638
1002	OTHER PERSONNEL COSTS	\$241,879	\$89,824	\$90,000	\$81,000	\$81,000
2001	PROFESSIONAL FEES AND SERVICES	\$1,409,634	\$2,005,346	\$2,452,000	\$2,452,000	\$2,452,000
2003	CONSUMABLE SUPPLIES	\$38,230	\$38,931	\$40,000	\$40,000	\$40,000
2004	UTILITIES	\$4,513	\$4,410	\$5,000	\$5,000	\$5,000
2005	TRAVEL	\$80,092	\$71,390	\$80,000	\$80,000	\$80,000
2006	RENT - BUILDING	\$5,702	\$5,702	\$5,900	\$5,900	\$5,900
2007	RENT - MACHINE AND OTHER	\$16,044	\$16,044	\$19,660	\$19,660	\$19,660
2009	OTHER OPERATING EXPENSE	\$346,820	\$345,608	\$360,000	\$400,000	\$400,000
5000	CAPITAL EXPENDITURES	\$0	\$0	\$132,000	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$4,964,218	\$5,707,012	\$6,373,116	\$5,980,198	\$5,980,198
Method of Financing:						
1	GENERAL REVENUE FUND	\$4,090,953	\$3,723,575	\$3,840,966	\$3,580,198	\$3,580,198
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$4,090,953	\$3,723,575	\$3,840,966	\$3,580,198	\$3,580,198

Method of Financing:

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 9:22:32AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
666	APPROPRIATED RECEIPTS	\$2,137	\$317	\$150	\$0	\$0
777	INTERAGENCY CONTRACTS	\$871,128	\$1,983,120	\$2,532,000	\$2,400,000	\$2,400,000
SUBTOTAL, MOF (OTHER FUNDS)		\$873,265	\$1,983,437	\$2,532,150	\$2,400,000	\$2,400,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$5,980,198	\$5,980,198
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$4,964,218	\$5,707,012	\$6,373,116	\$5,980,198	\$5,980,198
FULL TIME EQUIVALENT POSITIONS:		82.7	84.0	87.5	78.5	78.5

STRATEGY DESCRIPTION AND JUSTIFICATION:

SORM provides workers' compensation claims administration services to all state agencies (excepting TxDOT, and the UT and A&M University Systems). Both ERS & TRS may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions. The number of state agencies participating in the state's workers' compensation program has been relatively stable at 145 entities, but may decrease in the event of additional agency consolidations. The number of current covered FTEs has increased from 147,847 in FY92 to 173,000 in FY05. State employees are geographically distributed throughout the state with concentrations in the major metropolitan areas.

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

3.A. STRATEGY REQUEST
80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
TIME: 9:22:32AM

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
METHODS OF FINANCE (INCLUDING RIDERS):				\$7,983,426	\$7,983,426
METHODS OF FINANCE (EXCLUDING RIDERS):	\$6,848,033	\$7,629,111	\$8,403,344	\$7,983,426	\$7,983,426
FULL TIME EQUIVALENT POSITIONS:	115.3	118.5	124.0	115.0	115.0

3.B. Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office of Risk Management	Prepared By: Stuart B. Cargile	Date: 08/18/06	Request Level: Base															
Current Rider Number	Page Number in 2006–07 GAA	Proposed Rider Language																	
2	I-77	<p>Capital Budget.</p> <p>None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; border-top: 1px solid black;"><u>2006</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>2007</u></td> </tr> <tr> <td>Out of the Interagency Contracts:</td> <td></td> <td></td> </tr> <tr> <td>a. Acquisition of Information Resource Technologies</td> <td></td> <td></td> </tr> <tr> <td>(1) Upgrade Personal Computers</td> <td style="text-align: right;">\$ 93,000</td> <td style="text-align: right;">\$ 93,000</td> </tr> <tr> <td>Total, Capital Budget</td> <td style="text-align: right;"><u>\$ 93,000</u></td> <td style="text-align: right;"><u>\$ 93,000</u></td> </tr> </table> <p><i>This rider is unnecessary for the 2008/2009 biennium. The agency is not requesting capital authority.</i></p>				<u>2006</u>	<u>2007</u>	Out of the Interagency Contracts:			a. Acquisition of Information Resource Technologies			(1) Upgrade Personal Computers	\$ 93,000	\$ 93,000	Total, Capital Budget	<u>\$ 93,000</u>	<u>\$ 93,000</u>
	<u>2006</u>	<u>2007</u>																	
Out of the Interagency Contracts:																			
a. Acquisition of Information Resource Technologies																			
(1) Upgrade Personal Computers	\$ 93,000	\$ 93,000																	
Total, Capital Budget	<u>\$ 93,000</u>	<u>\$ 93,000</u>																	
3	I-78	<p>Risk Management Guide for State Agencies.</p> <p>The State Office of Risk Management shall maintain a risk management guide for all state agencies.</p> <p><i>No change proposed.</i></p>																	
4	I-78	<p>Appropriation of Unexpended Balances for Cost Containment.</p> <p>Any unexpended balances remaining as of August 31, 2006 <u>2008</u>, out of appropriations made to Strategy A.2.1, Pay Workers' Compensation, are hereby appropriated to the State Office of Risk Management for the fiscal year beginning September 1, 2006 <u>2008</u> to be applied toward assessments charged to state agencies for the medical cost containment vendor contract and administration of workers' compensation claims for fiscal year 2007 <u>2009</u>.</p> <p><i>The rider has been updated for the 2008/2009 biennium. Additionally, the requested change deletes the specific restriction to a vendor contract. HB7 networks will be involved in broad administrative activities. Substantial internal review protocols and contract oversight of HB7healthcare networks will be required for implementation, but this will not be performed by a cost containment vendor. The requested changes also include a reference to administration of</i></p>																	

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

		<p><i>claims as the requested exceptional item for restoration of funds related to the 10% GR reduction is financed by interagency contracts through the annual assessments charged to state agencies. This unexpended balance authority does not increase the total appropriation authority for the second year of the biennium. The change allows the agency to reduce the assessments charged to state agencies.</i></p>
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4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **9:22:47AM**

Agency code: **479**

Agency name:

State Office of Risk Management

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2008</u>	<u>Excp 2009</u>
	Item Name: Maintain Claims Administration Staffing		
	Item Priority: 1		
	Includes Funding for the Following Strategy or Strategies: 01-02-01 Review Claims, Determine Liability and Pay Eligible Claims		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	361,212	361,212
	TOTAL, OBJECT OF EXPENSE	\$361,212	\$361,212
METHOD OF FINANCING:			
777	INTERAGENCY CONTRACTS	361,212	361,212
	TOTAL, METHOD OF FINANCING	\$361,212	\$361,212
	FULL-TIME EQUIVALENT POSITIONS (FTE):	9.00	9.00

DESCRIPTION / JUSTIFICATION:

Workers' compensation is a complex medical and legal system that is not easily understood or navigated by persons with little or no experience in the system. Adequate and ongoing scrutiny of appropriate liabilities is required, utilizing the experience and expertise of seasoned claims adjusters. High turnover in the claims adjusting staff makes it difficult to perform quality claims administration on a consistent basis. SORM's challenges in this area include a lack of sufficient employees currently on staff with subject-specific training in the claims administration field (e.g., handling medically complex claims, setting reserves, etc.) and budgetary restraints (including the loss of experienced adjusters to other workers' compensation insurance carriers that are able to pay higher wages than SORM). The 10% reduction will result in the loss of nine workers' compensation administration FTEs, resulting in a decrease in claims scrutiny and escalation of costs in the program.

EXTERNAL/INTERNAL FACTORS:

The expenditure represented by the exceptional item is necessary and is requested to carry out the statutory responsibilities of the agency. The current market for claims administration in the private sector is hardening and currently unfavorable to the Office's ability to acquire outside skills. That market also presents challenges for retention, as salaries in the claims administration area are not currently competitive with other state agencies that administer workers' compensation programs and are significantly less than the private sector. The Office's historically high turnover in its claims adjusting staff is driven primarily by low salaries, and turnover has had a historically demonstrable detrimental effect on maintaining claims costs. Across the board reductions in salaries would result in the loss of a significant number of experienced staff, worsening the effect by increasing liabilities

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**

TIME: **9:24:51AM**

Agency code: **479**

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

	Excp 2008	Excp 2009
Item Name: Maintain Claims Administration Staffing		
Allocation to Strategy: 1-2-1 Review Claims, Determine Liability and Pay Eligible Claims		
STRATEGY IMPACT ON OUTCOME MEASURES:		
<u>1</u> Cost of Workers' Compensation Per Covered State Employee	2.09	2.09
<u>2</u> Cost of Workers' Compensation Coverage per \$100 State Payroll	0.01	0.01
EFFICIENCY MEASURES:		
<u>3</u> Average Cost to Administer Claim	30.10	30.10
OBJECTS OF EXPENSE:		
1001 SALARIES AND WAGES	361,212	361,212
TOTAL, OBJECT OF EXPENSE	\$361,212	\$361,212
METHOD OF FINANCING:		
777 INTERAGENCY CONTRACTS	361,212	361,212
TOTAL, METHOD OF FINANCING	\$361,212	\$361,212
FULL-TIME EQUIVALENT POSITIONS (FTE):	9.0	9.0

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
TIME: 9:23:06AM

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

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

CODE DESCRIPTION	Excp 2008	Excp 2009
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>1</u> Cost of Workers' Compensation Per Covered State Employee	303.79	303.79
<u>2</u> Cost of Workers' Compensation Coverage per \$100 State Payroll	1.02	1.02

OBJECTS OF EXPENSE:

1001 SALARIES AND WAGES	361,212	361,212
Total, Objects of Expense	\$361,212	\$361,212

METHOD OF FINANCING:

777 INTERAGENCY CONTRACTS	361,212	361,212
Total, Method of Finance	\$361,212	\$361,212

FULL-TIME EQUIVALENT POSITIONS (FTE):

9.0	9.0
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Maintain Claims Administration Staffing

Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2006	Bud 2007	BL 2008	BL 2009
5005 Acquisition of Information Resource Technologies				
<i>2/2 Upgrade Personal Computers</i>				
OBJECTS OF EXPENSE				
<u>Informational</u>				
2009 OTHER OPERATING EXPENSE	\$12,841	\$173,159	\$0	\$0
Informational Subtotal OOE, Project 2	\$12,841	\$173,159	\$0	\$0
Subtotal OOE, Project 2	\$12,841	\$173,159	\$0	\$0
TYPE OF FINANCING				
<u>Informational</u>				
CA 1 GENERAL REVENUE FUND	\$8,136	\$123,864	\$0	\$0
CA 777 INTERAGENCY CONTRACTS	\$4,705	\$49,295	\$0	\$0
Informational Subtotal TOF, Project 2	\$12,841	\$173,159	\$0	\$0
Subtotal TOF, Project 2	\$12,841	\$173,159	\$0	\$0
Capital Subtotal, Category 5005				
Informational Subtotal, Category 5005	\$12,841	\$173,159	\$0	\$0
Total, Category 5005	\$12,841	\$173,159	\$0	\$0
AGENCY TOTAL -CAPITAL				
AGENCY TOTAL -INFORMATIONAL	\$12,841	\$173,159	\$0	\$0
AGENCY TOTAL	\$12,841	\$173,159	\$0	\$0

Agency code: 479

Agency name: State Office of Risk Management

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2006	Bud 2007	BL 2008	BL 2009
METHOD OF FINANCING:				
<u>Informational</u>				
1 GENERAL REVENUE FUND	\$8,136	\$123,864	\$0	\$0
777 INTERAGENCY CONTRACTS	\$4,705	\$49,295	\$0	\$0
Total, Method of Financing-Informational	\$12,841	\$173,159	\$0	\$0
Total, Method of Financing	\$12,841	\$173,159	\$0	\$0
TYPE OF FINANCING:				
<u>Informational</u>				
CA CURRENT APPROPRIATIONS	\$12,841	\$173,159	\$0	\$0
Total, Type of Financing-Informational	\$12,841	\$173,159	\$0	\$0
Total,Type of Financing	\$12,841	\$173,159	\$0	\$0

5.B. CAPITAL BUDGET PROJECT INFORMATION
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 9:25:40AM

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

PROJECT DESCRIPTION

General Information

We are requested the ability to replace personal computers at one time. The Attorney General's Office (who handles our purchases) used this method, and are pleased with the result. All computers will have the same platform and technical specifications, making maintenance easier. 1/3 of our computers are currently out of warrantee. During FY05, 1/3 more will go out of warrantee.

Up to date computers are essential for adjusters to function, they use scanned images and internet resources as well as mainframe

resources concurrently, and need to be able to use the latest technology to be able to assist claimants and providers in a quick and orderly fashion. Not replacing the computers means the risk of having adjusters being unable to process benefits or payments.

Number of Units / Average Unit Cost \$1,500.00
Estimated Completion Date 12/31/2006

Additional Capital Expenditure Amounts Required	2010	2011
	0	0

Type of Financing CA CURRENT APPROPRIATIONS
Projected Useful Life 4 Years

Estimated/Actual Project Cost \$ 186,000

Length of Financing/ Lease Period NA

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2008	2009	2010	2011	Total over project life
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

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

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

Beneficiaries: Injured workers, medical providers and SORM employees.

Frequency of Use and External Factors Affecting Use:

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

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

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2006	Bud 2007	BL 2008	BL 2009
5005 Acquisition of Information Resource Technologies					
2/2	<i>Upgrade Personal Computers</i>				
Informational 1-1-1	RISK MANAGEMENT PROGRAM	4,705	49,295	\$0	\$0
Informational 1-2-1	PAY WORKERS' COMPENSATION	8,136	123,864	0	0
	TOTAL, PROJECT	\$12,841	\$173,159	\$0	\$0
	TOTAL CAPITAL, ALL PROJECTS				
	TOTAL INFORMATIONAL, ALL PROJECTS	\$12,841	\$173,159	\$0	\$0
	TOTAL, ALL PROJECTS	\$12,841	\$173,159	\$0	\$0

5.D. CAPITAL BUDGET OPERATING AND MAINTENANCE EXPENSES

80th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006

TIME: 9:26:16AM

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

Operating Expenses Estimates (For Information Only)

CODE DESCRIPTION	2008	2009	2010	2011
OBJECTS OF EXPENSE:				
2009 OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE	\$0	\$0	\$0	\$0

OPERATING COSTS DESCRIPTION AND JUSTIFICATION:

6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE

80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/22/2006
Time: 10:08:29AM

Agency Code: 479 Agency: State Office of Risk Management

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2004 - 2005 HUB Expenditure Information

Procurement Category	Statewide Adjusted HUB Goals	Adjusted HUB Expenditures FY 2004		Total Expenditures FY 2004	Adjusted HUB Expenditures FY 2005		Total Expenditures FY 2005
		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	\$22,300	0.0%	\$0	\$13,395
Other Services	33.0%	92.7%	\$1,031,999	\$1,113,133	15.9%	\$231,919	\$1,457,217
Commodities	11.5%	50.5%	\$73,843	\$146,351	28.7%	\$41,306	\$144,026
Total Expenditures		86.3%	\$1,105,842	\$1,281,784	16.9%	\$273,225	\$1,614,638

B. Assessment of Fiscal Year 2004 - 2005 Efforts to Meet HUB Procurement Goals

Attainment:

The agency exceeded two of two, or 50% of the applicable statewide HUB procurement goals in FY 2004.
The agency exceeded one of the two or 25% applicable statewide HUB procurement goals in FY 2005.

Applicability:

The Heavy Construction, Building Construction, or Special Trades categories were not applicable to agency operations in either fiscal year 2004 or 2005.

However, during fiscal year 2004 and 2005, there were minor purchases in the Professional Services category.

Factors Affecting Attainment:

Other Services
SORM's Cost Containment Contract is the largest contract that the agency holds, and it was awarded to two Non HUB vendors in FY05.

SORM's Director's and Officer's Insurance and Property Insurance contracts were also awarded to Non-HUB vendors.
There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

"Good-Faith" Efforts:

"Good Faith" Efforts:
The SORM attained an overall HUB percentage of 88.2% in FY04 and 19.4% in FY05. SORMs' written purchasing procedures require solicitation of HUB vendors and include
HUB Subcontracting Plans for purchases over \$100,000.
Additionally, SORM made the following good faith efforts beyond the requirements of 1 TAC Section 111.13(c):

6.I. Allocation of the Biennial Ten Percent Reduction to Strategies Schedule

Agency Code: 479		Agency Name: State Office of Risk Management									
Strategies		Biennial Application of 10 Percent Reduction					FTE Reductions (FY 2008-09 Base Request Compared to Budgeted 2007)		Revenue Impact? Y/N	Requesting Restoration? Y/N	Exceptional Item(s)
Code	Name	GR	GR-Dedicated	Federal	Other	All Funds	FY 08	FY 09			
1.1.1	Workers' Comp. Claims Administration	\$ 722,424					9.0	9.0	Y	Y	1
Agency Biennial Total		\$ 722,424	\$ -	\$ -	\$ -	\$ -	9.0	9.0			
Agency Biennial Total (GR + GR-D)			\$ 722,424								

Strategy Code / Name
Explanation of Impact to Programs and Revenue Collections

1.1.1 Workers' Comp. Claims Administration

The agency will be required to eliminate six claim adjusters, one medical bill reviewer, and two support staff to achieve the GR reduction. By lowering caseloads and increasing scrutiny of medical bills the agency has been able to reduce workers' compensation claim costs by \$25 million per year compared to fiscal 2003. Virtually all of the agency's travel is statutorily mandated so FTEs and salaries are the only budget line items available for the necessary adjustments. The Office expects claim costs to increase by \$4 million to \$10 million a year within two or three years following the staff reductions as a result of the loss of available resources for scrutiny and administration of claims. However, the agency is requesting restoration of the reduction and FTEs funded by interagency contracts as this is the method of finance for the significantly reduced claim expenditures.

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7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS

80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME : 10:08:59AM

Agency code: 479

Agency name: State Office of Risk Management

Strategy	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1-1-1 Assist/Review/Monitor Agencies' Risk Management Programs					
OBJECTS OF EXPENSE:					
1001 SALARIES AND WAGES	\$ 149,068	\$ 160,515	\$ 167,315	\$ 167,315	\$ 167,315
1002 OTHER PERSONNEL COSTS	18,963	4,560	3,600	3,600	3,600
2001 PROFESSIONAL FEES AND SERVICES	743	472	446	446	446
2003 CONSUMABLE SUPPLIES	1,127	1,085	694	860	860
2004 UTILITIES	90	85	54	67	67
2005 TRAVEL	3,995	4,293	2,414	2,466	2,466
2006 RENT - BUILDING	11	11	7	8	8
2007 RENT - MACHINE AND OTHER	508	480	307	381	381
2009 OTHER OPERATING EXPENSE	15,989	16,827	10,760	12,329	12,329
5000 CAPITAL EXPENDITURES	2,909	0	3,329	0	0
Total, Objects of Expense	\$ 193,403	\$ 188,328	\$ 188,926	\$ 187,472	\$ 187,472
METHOD OF FINANCING:					
777 INTERAGENCY CONTRACTS	193,403	188,328	188,926	187,472	187,472
Total, Method of Financing	\$ 193,403	\$ 188,328	\$ 188,926	\$ 187,472	\$ 187,472
FULL-TIME-EQUIVALENT POSITIONS (FTE):	2.3	2.2	2.3	2.2	2.3

DESCRIPTION

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

7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS

80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME : 10:09:07AM

Agency code: 479

Agency name: State Office of Risk Management

Strategy	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
1-2-1	Review Claims, Determine Liability and Pay Eligible Claims				
OBJECTS OF EXPENSE:					
1001 SALARIES AND WAGES	\$ 149,068	\$ 160,515	\$ 167,315	\$ 167,315	\$ 167,315
1002 OTHER PERSONNEL COSTS	18,963	4,560	3,600	3,600	3,600
2001 PROFESSIONAL FEES AND SERVICES	38,352	53,715	63,051	70,280	69,396
2003 CONSUMABLE SUPPLIES	1,040	1,043	1,029	1,146	1,132
2004 UTILITIES	123	118	129	143	142
2005 TRAVEL	2,179	1,912	2,057	2,293	2,264
2006 RENT - BUILDING	155	153	152	169	167
2007 RENT - MACHINE AND OTHER	437	430	506	563	556
2009 OTHER OPERATING EXPENSE	9,435	9,256	9,257	11,467	11,321
5000 CAPITAL EXPENDITURES	0	0	3,394	0	0
Total, Objects of Expense	\$ 219,752	\$ 231,702	\$ 250,490	\$ 256,976	\$ 255,893

METHOD OF FINANCING:

1 GENERAL REVENUE FUND	219,752	231,702	250,490	256,976	255,893
Total, Method of Financing	\$ 219,752	\$ 231,702	\$ 250,490	\$ 256,976	\$ 255,893

FULL-TIME-EQUIVALENT POSITIONS (FTE):

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

DESCRIPTION

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

7.B. DIRECT ADMINISTRATIVE AND SUPPORT COSTS

80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME : 10:09:07AM

Agency code: 479

Agency name: State Office of Risk Management

	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
GRAND TOTALS					
Objects of Expense					
1001 SALARIES AND WAGES	\$298,136	\$321,030	\$334,630	\$334,630	\$334,630
1002 OTHER PERSONNEL COSTS	\$37,926	\$9,120	\$7,200	\$7,200	\$7,200
2001 PROFESSIONAL FEES AND SERVICES	\$39,095	\$54,187	\$63,497	\$70,726	\$69,842
2003 CONSUMABLE SUPPLIES	\$2,167	\$2,128	\$1,723	\$2,006	\$1,992
2004 UTILITIES	\$213	\$203	\$183	\$210	\$209
2005 TRAVEL	\$6,174	\$6,205	\$4,471	\$4,759	\$4,730
2006 RENT - BUILDING	\$166	\$164	\$159	\$177	\$175
2007 RENT - MACHINE AND OTHER	\$945	\$910	\$813	\$944	\$937
2009 OTHER OPERATING EXPENSE	\$25,424	\$26,083	\$20,017	\$23,796	\$23,650
5000 CAPITAL EXPENDITURES	\$2,909	\$0	\$6,723	\$0	\$0
Total, Objects of Expense	\$413,155	\$420,030	\$439,416	\$444,448	\$443,365
Method of Financing					
1 GENERAL REVENUE FUND	\$219,752	\$231,702	\$250,490	\$256,976	\$255,893
777 INTERAGENCY CONTRACTS	\$193,403	\$188,328	\$188,926	\$187,472	\$187,472
Total, Method of Financing	\$413,155	\$420,030	\$439,416	\$444,448	\$443,365
Full-Time-Equivalent Positions (FTE)	4.5	4.5	4.5	4.5	4.5

WORKERS' COMPENSATION PAYMENTS

2.A. SUMMARY OF BASE REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **10:09:34AM**

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

Goal / Objective / STRATEGY	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
1 Workers' Compensation Payments					
1 Workers' Compensation Payments					
1 WORKERS' COMPENSATION PAYMENTS	53,958,960	45,200,000	46,550,000	56,550,000	56,550,000
TOTAL, GOAL 1	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
TOTAL, AGENCY STRATEGY REQUEST	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
METHOD OF FINANCING:					
Other Funds:					
666 APPROPRIATED RECEIPTS	595,816	585,499	550,000	550,000	550,000
777 INTERAGENCY CONTRACTS	53,363,144	44,614,501	46,000,000	56,000,000	56,000,000
SUBTOTAL	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
TOTAL, METHOD OF FINANCING	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000

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

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **10:10:12AM**

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

METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
<u>OTHER FUNDS</u>					
<u>666</u> Appropriated Receipts					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriation	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 6.30, Payments to SORM (2006-07 GAA)	\$0	\$35,499	\$0	\$0	\$0
Art IX, Sec 6.34, Page IX-50, Payments to SORM (2004-05 GAA)	\$45,816	\$0	\$0	\$0	\$0
TOTAL, Appropriated Receipts	\$595,816	\$585,499	\$550,000	\$550,000	\$550,000
<u>777</u> Interagency Contracts					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriation	\$82,750,000	\$59,770,000	\$62,182,800	\$56,000,000	\$56,000,000
<i>RIDER APPROPRIATION</i>					
Art IX, Section 6.30, Payments to SORM-unexercised Auth(2006-07 GAA)	\$0	\$(9,470,000)	\$(18,038,816)	\$0	\$0
Art IX, Sec 6.30(h), SORM Reimbursements (2006-07 GAA)	\$0	\$(7,532,193)	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
 TIME: **10:10:18AM**

METHOD OF FINANCING	Exp 2005	Est 2006	Bud 2007	Req 2008	Req 2009
OTHER FUNDS					
Art IX, Sec 6.34, Payments to SORM-Unexercised Authority (2004-05 GAA)	\$ (33,496,846)	\$ 0	\$ 0	\$ 0	\$ 0
Art IX, Section 6.34, Para (h), Page IX-51 UB (2004-05 GAA)	\$ 7,812,700	\$ 0	\$ 0	\$ 0	\$ 0
Art IX, Section 6.34, Para (h), Page IX-51 UB (2004-05 GAA)	\$ (3,702,710)	\$ 3,702,710	\$ 0	\$ 0	\$ 0
Art. IX, Section 6.30, (h), (2006-07 GAA)	\$ 0	\$ (1,856,016)	\$ 1,856,016	\$ 0	\$ 0
TOTAL, Interagency Contracts	\$53,363,144	\$44,614,501	\$46,000,000	\$56,000,000	\$56,000,000
TOTAL, ALL OTHER FUNDS	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
GRAND TOTAL	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000

FULL-TIME-EQUIVALENT POSITIONS

TOTAL, ADJUSTED FTES

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

80th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2006**
TIME: **10:10:18AM**

Agency code: **40A**

Agency name: **Workers' Compensation Payments**

METHOD OF FINANCING

Exp 2005

Est 2006

Bud 2007

Req 2008

Req 2009

**NUMBER OF 100% FEDERALLY
FUNDED FTEs**

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/22/2006**
 TIME : **10:11:15AM**

Agency code: 40A Agency name: Workers' Compensation Payments							
Goal/Objective/STRATEGY		Base 2008	Base 2009	Exceptional 2008	Exceptional 2009	Total Request 2008	Total Request 2009
1 Workers' Compensation Payments							
1 <i>Workers' Compensation Payments</i>							
1 WORKERS' COMPENSATION PAYMENTS		\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000
TOTAL, GOAL 1		\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000
TOTAL, AGENCY STRATEGY REQUEST		\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST							
GRAND TOTAL, AGENCY REQUEST		\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/22/2006
 TIME : 10:11:22AM

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

Goal/Objective/STRATEGY	Base 2008	Base 2009	Exceptional 2008	Exceptional 2009	Total Request 2008	Total Request 2009
666 APPROPRIATED RECEIPTS	\$550,000	\$550,000	\$0	\$0	\$550,000	\$550,000
777 INTERAGENCY CONTRACTS	56,000,000	56,000,000	0	0	\$56,000,000	\$56,000,000
	\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000
TOTAL, METHOD OF FINANCING	\$56,550,000	\$56,550,000	\$0	\$0	\$56,550,000	\$56,550,000

FULL TIME EQUIVALENT POSITIONS

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 10:11:38AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
Objects of Expense:						
	2009 OTHER OPERATING EXPENSE	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
TOTAL, OBJECT OF EXPENSE		\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
Method of Financing:						
	666 APPROPRIATED RECEIPTS	\$595,816	\$585,499	\$550,000	\$550,000	\$550,000
	777 INTERAGENCY CONTRACTS	\$53,363,144	\$44,614,501	\$46,000,000	\$56,000,000	\$56,000,000
SUBTOTAL, MOF (OTHER FUNDS)		\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$56,550,000	\$56,550,000
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

3.A. STRATEGY REQUEST
 80th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
 TIME: 10:11:45AM

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

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

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
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Costs of the State program have reduced substantially at more than \$24 million less than FY03. The decreases are due to greater accountability on the part of agencies & improved SORM claims processing. Although the noted savings alone would fund the agency's current GR expenses for 6 years, the savings are in the appropriation funded by assessments, separate from the SORM GR appropriation. There is currently no transfer authority between these appropriations.

Future costs are projected to decrease at a slower rate and may increase in the short term as HB 7 networks are implemented. An immediate increase to the State's cost will be the administrative cost of contracted networks, though performance-based monitoring & treatment guidelines are anticipated to result in improved outcomes. Overall cost reductions may be seen in subsequent years after implementation.

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

The most immediate factor affecting costs is a reduction in staff from the 10% GR reduction in the administrative appropriation. A substantial factor in the reduction of costs has been increased scrutiny. The reduction may also negatively impact the ability to implement networks under HB 7 if resources are unavailable to support the oversight/maintenance of the contract(s).

3.A. STRATEGY REQUEST
80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2006
TIME: 10:11:45AM

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
METHODS OF FINANCE (INCLUDING RIDERS):				\$56,550,000	\$56,550,000
METHODS OF FINANCE (EXCLUDING RIDERS):	\$53,958,960	\$45,200,000	\$46,550,000	\$56,550,000	\$56,550,000
FULL TIME EQUIVALENT POSITIONS:					

3.B. Rider Revisions and Additions Request

Agency Code: 479	Agency Name: State Office of Risk Management (Workers' Compensation Payments)	Prepared By: Stuart B. Cargile	Date: 08/18/06	Request Level: Base
Current Rider Number	Page Number in 2006-07 GAA	Proposed Rider Language		
1	I-78	<p>Appropriation - Subrogation Receipts.</p> <p>All sums of money recovered by the State Office of Risk Management from third parties by way of subrogation are hereby appropriated to the State Office of Risk Management during the biennium of receipt to be used for the payment of workers' compensation benefits to state employees.</p> <p><i>No change proposed.</i></p>		
2	I-78	<p>Cost Containment.</p> <p>The State Office of Risk Management shall submit a report detailing the effectiveness of various cost containment measures undertaken and proposing additional measures to reduce workers' compensation costs. This report shall be submitted to the legislative and executive budget offices, in the form those offices require, within 45 days after the close of each fiscal year.</p> <p><i>No change proposed.</i></p>		
3	I-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. 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>		