

SUBJECT: Continuing the State Office of Risk Management

COMMITTEE: Business and Industry — favorable, without amendment

VOTE: 8 ayes — Martinez Fischer, Darby, Beckley, Collier, Landgraf, Parker, Patterson, Shine

0 nays

1 absent — Moody

SENATE VOTE: On final passage, March 27 — 31-0

WITNESSES: *On House companion bill, HB 1515:*
For — None

Against — None

On — Todd Holt, State Office of Risk Management; (*Registered, but did not testify*: Tamara Aronstein, Sunset Advisory Commission; Deea Western, State Office of Risk Management)

BACKGROUND: The State Office of Risk Management (SORM) was created by the Legislature in 1997 to protect the state's employees and assets. In 2001, the 77th Legislature enacted HB 1203 by Brimer, which extended SORM's responsibilities to include oversight of state agency purchases of insurance coverage other than health or life insurance, such as property and casualty insurance and liability insurance.

In order to efficiently and cost-effectively reduce and control risk to the state's employees and assets, SORM administers the workers' compensation program for state entities, coordinates state entities' insurance purchases, and assists entities in developing and implementing continuity of operations plans. SORM also administers guidelines for a comprehensive risk management program and assists state entities in developing such programs.

Governing structure. SORM is governed by a board of five governor-appointed members. Board members serve staggered six-year terms and must have demonstrated experience in insurance and insurance regulation, workers' compensation, and risk management administration.

Funding. SORM does not directly receive general revenue funds. Instead, it receives payments for services it provides to a total of 265 state entities. In fiscal 2017, SORM received \$48.9 million in total revenue, of which 99 percent resulted from agency assessments. SORM's largest expenditure in fiscal 2017, at 80 percent, was for workers' compensation payments.

Staffing. SORM employed 107 staff based in Austin in fiscal 2017. The largest share of employees worked in the workers' compensation division.

SORM would be discontinued on September 1, 2019, if not continued in statute.

DIGEST:

SB 612 would continue the State Office of Risk Management (SORM) until September 1, 2031, and require it to review and update its risk management program regularly. The bill also would modify the deadline by which state agencies were required to submit their annual reports to SORM and expand SORM's board member training program.

Risk management program. SB 612 would require SORM to review the guidelines for its comprehensive risk management program at least every two years to determine whether they were appropriate and current. The office would have to update the guidelines at least every five years to be consistent with up-to-date industry best practices and current law.

In updating the guidelines, SORM would be required to solicit feedback from state entities regarding topics to include in the guidelines and ways to make the guidelines more user-friendly.

SORM would have to conduct its first round of reviews and updates by September 1, 2020.

State agencies' reports to SORM. State agencies would have to send their required annual reports to SORM's director by the 60th day after the last day of each fiscal year, instead of the 60th day before the last day of each fiscal year.

Board member training program. SB 612 would expand the training program board members would be required to complete to include information about the law governing the office's operations, the scope and limitations of the board's rulemaking authority, and other laws applicable to members of a state policymaking body in performing their duties.

SORM's director would have to create a training manual and distribute it to board members annually. Board members would need to sign and submit a statement to the director acknowledging that they had received and reviewed the training manual.

These training requirements would apply to board members appointed before, on, or after the bill's effective date. Board members who had completed the training program in effect before September 1, 2019, would need to complete the additional training required by the bill and could not vote, deliberate, or be counted as a member in attendance at a meeting held on or after December 1, 2019, until they completed the additional training.

The bill would take effect September 1, 2019.

**SUPPORTERS
SAY:**

SB 612 would allow the State Office of Risk Management (SORM) to continue its important work protecting the state's employees and assets and would make certain operational improvements to the office.

By requiring SORM to review and update its comprehensive risk management guidelines regularly and gather feedback from stakeholders, the bill would improve the state's risk management program and provide state entities with up-to-date, easy-to-use information on risk management. Additionally, SB 612 would improve the quality of risk

management data collected and reported by SORM by giving state entities adequate time to gather and submit their data before the end of the fiscal year. Currently, state entities are required to submit their data to SORM 60 days before the end of the fiscal year, but some state entities do not have access to complete datasets before the end of the fiscal year and would benefit from a later deadline.

The bill also would promote good governance practices by expanding the training program for SORM board members and requiring board members to acknowledge that they had received and reviewed all training materials.

OPPONENTS
SAY:

No concerns identified.