HOUSE
RESEARCH
ORGANIZATION bill digest 5/3/2001

HB 2976
Dukes

SUBJECT: Funding of the State Office of Risk Management

COMMITTEE: Business and Industry — favorable, without amendment

VOTE: 0 ayes — Brimer, Dukes, J. Davis, Elkins, Solomons, Woolley

0 nays

3 absent — Corte, George, Giddings

WITNESSES: None

BACKGROUND: In 1997, the 75th Legislature enacted HB 2133 by Jackson and Brimer, which created the State Office of Risk Management (SORM) and required it to establish specific cost allocations for a group of state agencies that generated the majority of workers' compensation claims. The provisions of that enabling legislation required those agencies to reimburse 100 percent of the cost of claims that exceeded their allocations. That bill also mandated that SORM develop a program to reward agencies with improved safety and reduced claims by allowing them to share in resulting savings. Statutory and funding source conflicts made that provision unworkable, and in 1999, HB 2509 by Dukes repealed that portion of the law.

The University of Texas (UT) System uses a premium-based system to allocate workers' compensation costs among its institutions. Premium-based funding for losses allows the UT system to provide stronger incentives to institutions, reduce losses, and control claims costs. A new allocation program would change the way that the Legislature appropriated funds to cover the costs of workers' compensation claims and would follow systems used in private industry to manage risks. State agencies that do not effectively control injuries and losses should pay the cost of those losses and receive benefits when they improve their performance.

DIGEST: HB 2976 would amend the Labor Code to allow SORM to establish a premium-based allocation program for the payment of workers' compensation claims and risk management services incurred by a state agency. SORM would establish a formula for allocating the state's workers' compensation costs among covered agencies based on:

- the claims experience of each agency;
- the current and projected size of each agency's workforce;
- each agency's payroll;
- the related costs incurred in administering claims; and
- other factors that the office determined to be relevant.

SORM could provide modifiers to the formula to promote the effective implementation of risk management programs by state agencies.
The risk management board would have final authority to determine the assessments to be paid by the covered agencies.

SORM's executive director would deposit all money recovered from a third party through subrogation into the state workers' compensation account in general revenue.

The costs of risk management services provided by a state agency under the interagency contract would be allocated in the same proportion and determined in the same manner as the costs of workers' compensation. The bill would strike the provision that required the amount of the costs to be paid by a state agency under an interagency contract. It also would delete the provision under which the Legislature appropriated the amount designated by the appropriation structure for the payment of state workers' compensation claims costs to SORM.

This bill would take effect September 1, 2001.

NOTES: A rider in Article 9 of the House-passed version of SB 1 by Ellis, the fiscal 2002-03 general appropriations bill, would establish an allocation program for the funding of workers' compensation, contingent on enactment of HB 2976.