

By: Barrientos

S.B. No. 147

A BILL TO BE ENTITLED

AN ACT

relating to the adoption by state agencies of risk management plans and risk control strategies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle B, Title 10, Government Code, is amended by adding Chapter 2057 to read as follows:

CHAPTER 2057. STATE AGENCY RISK MANAGEMENT POLICIES AND RISK CONTROL STRATEGIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2057.001. DEFINITIONS. In this chapter:

(1) "Objective" means a goal to which senior management of a state agency and the agency's governing body intends to devote a significant portion of their time and attention to accomplish during the biennium following a regular legislative session.

(2) "Risk assessment" means:

(A) the identification of significant impediments that may prevent a state agency from achieving its goals and objectives; or

(B) the identification of a significant likelihood that an opportunity may be lost for enabling a state agency to achieve its goals and objectives.

(3) "Risk control strategy" means a state agency policy, procedure, or process that is designed to signal the

1 existence of a risk and mitigate or avoid that risk.

2 (4) "Risk management" means the practice of  
3 identifying and analyzing risks and loss exposures, and taking  
4 steps to eliminate or minimize the adverse operational or financial  
5 effects of those risks and exposures.

6 (5) "State agency" means a department, commission,  
7 board, office, authority, or other agency in the executive branch  
8 of state government, created under the constitution or a statute,  
9 with statewide authority, including a university system or an  
10 institution of higher education as defined by Section 61.003,  
11 Education Code.

12 Sec. 2057.002. CONSTRUCTION OF CHAPTER. (a) This chapter  
13 does not supersede or replace the authority of the State Office of  
14 Risk Management to provide full risk and insurance management  
15 services under Chapter 412, Labor Code, or Subchapter C, Chapter  
16 501, Labor Code.

17 (b) This chapter does not supersede or replace the duties of  
18 state agencies under Chapter 412, Labor Code, or Subchapter C,  
19 Chapter 501, Labor Code.

20 [Sections 2057.003–2057.050 reserved for expansion]

21 SUBCHAPTER B. POWERS AND DUTIES

22 Sec. 2057.051. ADOPTION OF RISK MANAGEMENT PLAN; STRATEGIC  
23 PLAN. (a) The governing body of each state agency shall adopt a  
24 risk management plan for the succeeding strategic planning period.  
25 The agency shall include the plan as part of the agency's strategic  
26 plan under Section 2056.002.

27 (b) Not later than July 15 of each even-numbered year, the

1 state agency shall forward a copy of the risk management plan to the  
2 State Office of Risk Management.

3 Sec. 2057.052. CONTENT OF RISK MANAGEMENT PLAN. (a) The  
4 risk management plan must include information required by the State  
5 Office of Risk Management, including:

- 6 (1) a risk assessment for the agency;
- 7 (2) risk control strategies for the agency; and
- 8 (3) other information as provided by this section.

9 (b) The risk management plan must include a business  
10 continuity strategy that outlines plans and procedures designed to  
11 keep a business operational in the face of potential disruptions,  
12 including disruptions of production, finance, administration, and  
13 other essential operations.

14 (c) The risk management and risk control strategies  
15 contained in the plan must:

- 16 (1) specify the operational, strategic, and financial  
17 objectives of the state agency;
- 18 (2) assess the nature and extent of the risks to  
19 achieve those objectives;
- 20 (3) identify any significant risks that may impede the  
21 achievement of those objectives;
- 22 (4) identify measures that may lessen or eliminate  
23 significant risks, including alternative or contingency measures  
24 for implementing the objectives; and
- 25 (5) analyze the likelihood that the risk may occur and  
26 the cost of controlling the risk compared to the benefits of  
27 managing the risk.

1       (d) The risk management plan must include a report on the  
2 state agency's level of achievement in implementing risk management  
3 and risk control strategies, including:

4           (1) a review of whether the state agency has achieved  
5 the objectives established for the preceding biennium and, if not,  
6 whether the state agency will achieve its objectives by the end of  
7 the current biennium;

8           (2) a description of any significant risk control  
9 strategy failings or weaknesses that have been identified during  
10 the preceding biennium;

11           (3) an assessment of the extent to which the  
12 identified failings or weaknesses resulted in unforeseen outcomes  
13 that may have prevented the achievement of the state agency's  
14 objectives or may have had a material impact on the performance of  
15 the state agency's mission;

16           (4) an examination in detail of any corrective action  
17 by the state agency; and

18           (5) an assessment of the state agency's risk control  
19 strategy, including a review of the scope and quality of  
20 management's ongoing monitoring of risks.

21       Sec. 2057.053. STATE AGENCY IMPLEMENTATION OF RISK  
22 MANAGEMENT PLAN AND RISK CONTROL STRATEGIES. (a) Each state  
23 agency shall implement the risk management plan, including the risk  
24 control strategies adopted by its governing body under this  
25 subchapter.

26           (b) At least twice each year, the state agency shall provide  
27 to the governing body progress reports concerning the

1 implementation of the risk management plan.

2 (c) The state agency shall promptly notify its governing  
3 body of the identification of any significant risk that threatens  
4 to impede the achievement of an objective contained in the risk  
5 management plan and of the measures taken to mitigate or avoid that  
6 risk.

7 Sec. 2057.054. STATE OFFICE OF RISK MANAGEMENT AND  
8 LEGISLATIVE BUDGET BOARD RESPONSIBILITIES. (a) The State Office  
9 of Risk Management shall:

10 (1) develop information to be used by each state  
11 agency in the preparation of a risk management plan under this  
12 subchapter, including information to guide each agency regarding  
13 risk assessment and risk control strategies; and

14 (2) assist each state agency in the preparation of a  
15 risk management plan under this subchapter.

16 (b) The State Office of Risk Management shall include in its  
17 report to the legislature under Section 412.032, Labor Code:

18 (1) the identity of each state agency that has not  
19 developed a risk management plan or that has not made substantial  
20 progress toward implementation of the risk management plan;

21 (2) a list of significant efforts by state agencies to  
22 implement risk control strategies to avoid or mitigate the risks  
23 contained in the strategies;

24 (3) an assessment and summary of the state's  
25 significant risks and exposures to loss; and

26 (4) recommendations regarding risk control, including  
27 recommendations for any necessary statutory changes.

1           (c) The Legislative Budget Board and the State Office of  
2 Risk Management shall cooperate in preparing the risk management  
3 plan portion of the strategic plans required under this subchapter  
4 and Section 2056.002.

5           SECTION 2. Subsection (b), Section 2056.002, Government  
6 Code, is amended to read as follows:

7           (b) Except as provided in Subchapter B, Chapter 2057, the  
8 ~~[The]~~ Legislative Budget Board and the Governor's Office of Budget  
9 and Planning shall determine the elements required to be included  
10 in each agency's strategic plan. Unless modified by the  
11 Legislative Budget Board and the Governor's Office of Budget and  
12 Planning, and except as provided by Subsection (c), a plan must  
13 include:

14                   (1) a statement of the mission and goals of the state  
15 agency;

16                   (2) a description of the indicators developed under  
17 this chapter and used to measure the output and outcome of the  
18 agency;

19                   (3) identification of the groups of people served by  
20 the agency, including those having service priorities, or other  
21 service measures established by law, and estimates of changes in  
22 those groups expected during the term of the plan;

23                   (4) an analysis of the use of the agency's resources to  
24 meet the agency's needs, including future needs, and an estimate of  
25 additional resources that may be necessary to meet future needs;

26                   (5) an analysis of expected changes in the services  
27 provided by the agency because of changes in state or federal law;

1           (6) a description of the means and strategies for  
2 meeting the agency's needs, including future needs, and achieving  
3 the goals established under Section 2056.006 for each area of state  
4 government for which the agency provides services;

5           (7) a description of the capital improvement needs of  
6 the agency during the term of the plan and a statement, if  
7 appropriate, of the priority of those needs;

8           (8) identification of each geographic region of this  
9 state, including the Texas-Louisiana border region and the  
10 Texas-Mexico border region, served by the agency, and if  
11 appropriate the agency's means and strategies for serving each  
12 region;

13           (9) a description of the training of the agency's  
14 contract managers under Section 2262.053; ~~and~~

15           (10) the risk management plan required under Section  
16 2057.051; and

17           (11) other information that may be required.

18           SECTION 3. This Act takes effect immediately if it receives  
19 a vote of two-thirds of all the members elected to each house, as  
20 provided by Section 39, Article III, Texas Constitution. If this  
21 Act does not receive the vote necessary for immediate effect, this  
22 Act takes effect September 1, 2003.