

1 AN ACT

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

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

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

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

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 2057.001. DEFINITIONS. In this chapter:

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

16 (2) "Risk assessment" means:

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

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

23 (3) "Risk control strategy" means a state agency
24 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 expand, supersede, or replace the authority of the State
14 Office of Risk Management to provide full risk and insurance
15 management services under Chapter 412, Labor Code, or Subchapter C,
16 Chapter 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.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 147 passed the Senate on May 6, 2003, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 29, 2003, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 147 passed the House, with amendment, on May 25, 2003, by the following vote: Yeas 117, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor