Independent
Democratic
Conference

Expansion of New York State's Risk Assessment and Management Activities

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I. Introduction

New York State is facing a severe fiscal crisis and must close a projected budget deficit of approximately $10 billion in Fiscal Year (FY) 2011-12. The Executive Budget points to similar projected deficits for years to come unless action is taken now to correct this situation. In order to close this gap, the State will need to control spending, find avenues to cut spending, and streamline the use of State resources. The Executive Budget calls for steps to "deploy an asset management module to provide immediate insight into its holdings."[1] To this end, risk management is one of the many tools that should be used by New York to manage its assets and control present and future costs and potential liabilities. Risk management's utility has been proven in both the public and private sectors. It is the process of making and carrying out decisions that minimize the adverse effects of accidental losses upon an organization.[2] It is for this reason that it is the recommendation of the Independent Democratic Conference that New York State should enact S.1029-A (Klein) which creates an Office of Risk Assessment and Management within the Office of General Services.

The State of New York each year faces exposure to liability from damage to property, injuries to State employees and persons under the care and custody of State employees in State facilities, and visitors to State premises. As indicators of hefty, and sometimes increasing costs, in FY 2009-10 the Court of Claims issued seventy-two judgment claims totaling $24,451,989 and 186 settlement claims totaling $58,132,418 for a total of 258 claims or $82,584,407.[3] Another indicator is Workers' Compensation which reported in 2009 that "[t]here was a substantial increase in both total compensation and medical costs from FY 2007/2008 to FY 2008/2009. Total compensation cost[s] increased from $18,690,687 to $22,770,590, nearly 22%. Total medical cost[s] increased from $19,690,167 to $20,636,439, nearly 5%."[4] These are only indications of much larger costs to New York inherent in our current system. However, the proposed enhanced central office would combat such costs and focus on risk assessment and management which would go far to help determine the full extent of the State's exposure to civil tort liability and allow the state to systemically reduce such exposure through the integration of professional risk management procedures into daily state operations.

Enactment of this measure would also bring New York State in line with a majority of States, numerous larger municipalities, and most large corporate entities that as a matter of good business practice have centralized risk management procedures.[5] Not only will this bill help

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[1] 2010-2011 New York State Executive Budget, *Making Government More Efficient*, 124, Executive Office of New York State Governor Andrew Cuomo.

[2] George Head and Stephan Horn II, *Essentials of Risk Management, Volume 1*, 1991.

[3] Office of the State Comptroller, *Summary and Accounting for Judgements ,Fees, Claims, Taxes, etc.*, [sic] Mar. 31, 2010.

[4] New York State Department of Civil Service, *Annual Report of New York State Government Employees' Workers' Compensation Claims Fiscal Year 2008/2009*.

[5] Oregon Department of Risk Management, Utah Division of Risk Management, Arizona Risk Management Division, Wisconsin Bureau of State Risk Management, Washington Risk Management Division, Louisiana Office of Risk Management, New Mexico Risk Management Division, Alaska Risk Management Division, Oklahoma Risk Management Division, Hawaii Risk Management Office, New Jersey Division of Risk Management, New Mexico Department of Risk Management, California Office of Risk and Insurance Management, Texas Office of Risk Management.

reduce the annual payments to satisfy personal and property damage against the state and lower insurance premiums in many sectors, but most importantly it will help to reduce injuries sustained by State employees and members of the general public.

II. Other States' Existing Offices of Risk Management

States, such as Georgia, Florida, Arizona, Washington and Texas, have already established some form of an office, department or division of risk assessment and management. States with existing offices of risk management often charge these offices with the task of the management and mitigation of liability as well as property, casualty, and workers' compensation claims.[6] These programs generally include coverage for agencies, employees, boards and commissions and a sophisticated process of analyzing and categorizing risk such that it may be addressed properly. Such a list may include:[7]

- Financial/budget Risk
- Business Risk
- Reputation Risk
- Operational Risk
- Safety/Security Risk
- Audit Risk
- Legal Risk
- Regulatory/Compliance Risk
- Document Management Risk
- Demographic/Succession Risk
- Strategic Risk

Additionally, risk management offices and divisions usually provide consultation to State agencies to assist agency personnel to develop specific programs that reduce or eliminate risk to the State. It is the result of risk management programs like this that save States millions of dollars annually.

States that have created an Office of Risk Management and have experienced fiscal savings include:

> *Texas*: One of the best examples comes from Texas' Office of Risk Management. Texas' Office has reported that in 2010 their Office of Risk Management's cost containment measures resulted in savings of $69.6 million.[8]

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[6] Arizona Department of Administration, Risk Management Division. Fiscal Year 2010 Annual Report. Pg 2. Available at http://www.azrisk.state.az.us/userfiles/file/ANNUAL%20REPORT%20FY2010(6).pdf.

[7] State of Washington, Office of Financial Management, Risk Management Division, *Guide for Section 13.1 – Risk Management and Self-Insurance Premiums 2011-2013 Budget*, May 2010.

[8] Texas Office of Risk Management, *Annual Report on Cost Containment: Fiscal Year 2010*. December 2010.

Arizona: Arizona utilized soft market negotiation strategies, adopted in these difficult fiscal times when prices are generally declining to buyers' benefit, to reduce excess insurance expenses by approximately 15%, which resulted in savings of $1,725, 384.[9]

Georgia: Georgia has reduced accident costs by 14% or $800,000 worth of savings after implementing a program that sought to reduce preventable vehicular accidents.[10] Moreover, Georgia predicts an additional avoidance of at least $1.5 million in losses in their current fiscal year with the potential of $5 million more in savings in the first five years of the program.[11] Georgia's auto program included the components of driver qualification and training, agency-level accident Review Panels, vehicle maintenance, vehicle bumper stickers and agency management incentives.[12]

Florida: Florida has found even more success and has saved the State approximately $12 million in 2009.[13] Among other areas, Florida has reduced indemnity costs by 30%, has saved more than $800,000 in discrimination claims, and has reduced litigation cases resulting in savings of more than $7.5 million[14] as well as saved another $12 million as of early 2010, according to the state's chief financial officer, by applying private sector risk management practices to its own affairs.[15]

Savings also come in unexpected forms. For instance, Wisconsin has been big in the news this year with the disruption in State operations due to the debate over the role of public employee unions in collective bargaining process. While the media focus has been largely for political reasons, it has also attracted the attention of another group, the Public Risk Management Association (PRIMA). They have been following Wisconsin to examine the risk involved in the form of "disruption to government functions with [a] large crowd of people, especially [ ] where emotions run high."[16] Essentially risk managers are addressing risk management ahead of time where there is a danger to public resources—"staff, employer or property."[17] The ideal is that there is a business-continuity plan in place to address the absence of employees or shutdown of facilities, regardless of reason, to ensure continued government function.

Additionally, like New York, PRIMA states that many public entities have a significant level of self-insurance, especially in terms of employment liability. Thus even standard layoffs must be examined to curb the risk of claims related to terminations. In this area and others, PRIMA

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[9] *Id.* at 3.

[10] Knight, Cheryl. *State of Georgia Reduces Accident Costs by 14%*. Government Fleet. May 2010. Available at http://www.government-fleet.com/Article/Story/2010/05/State-of-Georgia-Reduces-Accident-Costs-by-14.aspx

[11] *Id.*

[12] *Id.*

[13] Hofmann, Mark, *Florida Sees Savings From Risk Management Changes*. Business Insurance. February 8, 2010. Available at http://www.businessinsurance.com/article/20100207/ISSUE01/302079974

[14] *Id.*

[15] Hofmann, Mark A., *Florida passes risk management reforms for state*, Business Insurance. May 3, 2010. Available at http://www.businessinsurance.com/article/20100504/NEWS/100509975.

[16] McDonald, Carline, *Wisconsin: Beyond the Politics, Risk Managers Keep Government Running*, Propertycasualty360.com. Available at http://www.propertycasualty360.com/2011/03/04/wisconsin-beyond-the-politics-risk-managers-keep-g.

[17] *Id.*

urges that "most risk managers would rather be engaged on the front end than be called in after the fact to clean up a mess",[18] a tact that should be adopted in New York State and can be adopted through the passage of S.1029-A (Klein).

Washington State also presents a compelling case for the integration of risk management into our existing departments. Unlike New York, Washington has waived sovereign immunity from tort claims, thus exposing the State to rising insurance costs and, in 2001, tort payouts which reached a high of about $85 million. This number should look similar to the number faced by New York —about $82.5 million paid out in 2009—and New York has retained Sovereign Immunity. Washington created a Risk Management Task Force to address this issue and in 2000 and 2001 strengthened its existing Office of Risk Management.

Recently, Washington analyzed the data that its Office of Risk Management had collected over its many years of existence and especially since its strengthening in 2001. Analyzing the data, since 1997 Risk Management estimates that it has saved the State over $365 million. As the statute of limitations for most tort claims in Washington is three years, the statistics indicate that the savings coincide with the strengthening of their office in 2000 and 2001.[19]

Also important to note is that the data aggregated by Washington has also been used to pinpoint problem areas. By tracking thirty-three agencies which account for 95% of tort liability in Washington, the Office of Risk Management was able to manage tort liability effectively and lower related costs. While total liability payments remained static in the major sources of liability (highway-related tort claims and prisoner affairs), it rose in the area of Vulnerable Children and Adults. In response to what the data indicated, Washington implemented the "Reinforce the Safety of Vulnerable Persons" (RSVP) project, to analyze events involving serious injuries to vulnerable children and adults."[20] The Independent Democratic Conference believes that such data analysis and response could be available in New York State with the passage of S.1029-A (Klein).

III. Use of Risk Management in the Private Sector

Risk management has proved to be a successful tool to reduce costs in the private sector. Businesses of all sizes are analyzing the risks that they face and adopting strategies to mitigates the associated costs. It has become standard practice for large corporations, often under the guise or purview of the Chief Financial Officer.[21] Large corporations such as the American Broadcasting Corporation (ABC), M&T Bank, and Continental Airlines all have integrated risk management into their business structure. Risk Management also plays a role in small operations and firms as well as by applying similar principles such as identifying risk on the

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[18] *Id.*

[19] Washington Office of Financial Management, *Statewide Tort Indemnity Payout Trends*, on file with Authors.

[20] Washington Government Efficiency, *What Types of Incidents Account for Most Payouts?*. Available at http://performance.wa.gov/GE/GE011510/RiskManagementWorkerSafety/MajorIncidents/PayoutsByYear/Pages/Default.aspx.

[21] *See, e.g.*, News Release, *PepsiCo's Board of Directors Appoints Indra K. Nooyi as Chief Executive Officer Effective October 1, 2006*.

management side such as operational risks such as fraud, employee loss or injury, financial risks, insurance risks, and business venture risks.[22]

An important lesson the private sector has learned is that risk is not necessarily a bad word. That is, risk creates opportunities and market niches that can be identified and leveraged towards the future betterment of a business. This lesson may be applied to the State level as well, which, while daunting in scale, faces the same issues of insurance, claims, and employee risk that is faced in the private sector across the world.

One aspect of private risk management that often falls short in public risk management is that of Information Communication.[23] In the private sector, there is often a hierarchy and communication system in place to channel the findings of a risk manager or office to the other areas of the company or business. However, on the State-level there may be adequate information gathering, but no structure in place to either disseminate the information efficiently to the other State entities which may be able to find utility in the results. Also, there may be confusion as to whether such information, if received, is to be taken merely as advisory or is information that must be acted upon.

IV. Risk In New York State

New York State is already at the forefront of private risk management activities and may easily be able to transition its native expertise into applications in the public sector. New York has existing sources of information and models to follow which are available through organizations such as the Risk and Insurance Management Society (RIMS), located in Manhattan. Every day, many New York companies are paid to manage both theirs and others' financial risk, strategic risk, operational risk and risks associated with the business relationships of our nation's largest private companies. Under S.1029-A (Klein), these professionals can be contracted by the Risk Manager, as discussed below, to ensure that New York has access to the existing educated leadership and skilled work force to help identify opportunities, and leverage existing resources to help make New York State the gold standard in the Enterprise Risk Management movement.[24] The State of New York is already a major segment of the United States' and global risk equations; it should play just as large a role in risk management as well.[25]

As stated above, New York State faces large fiscal implications due to risk. As discussed above, Court of Claims payments amount to $85 million and reflect tort actions. There are also costs through Worker's Compensation, also addressed above. According to the 2009 Joint Report to the Governor from the Insurance Department and Workers' Compensation Board: "In New York State, employers continue to have three options for workers' compensation coverage -- private insurance carriers, the State Insurance Fund (SIF) or self-insurance. The market shares of these

[22] Klein, Karen E., *Using Risk Management to Beat the Downturn*, Jan. 9, 2009, Bloomberg Businessweek.

[23] *See* Altemeyer, Lynn, *An Assessment of Texas State Government: Implementation of Enterprise Risk Management Principles*, 45, May 1, 2004, Texas State University (*citing COSO ERM Exposure Draft*, 2003, p. 68-78, Chabrow, Garvey, 2001, COSO, 1992, Funston, 2003, Kaplan, Norton, 1996, Osborne, Gaebler, 1992, Senge, 1990, Texas SAO, 2003, Turnbull, ICAEW, 1999, Tex. S.B. 147, 78th Leg. R.S. (2003)).

[24] *Id.*

[25] Marilyn L. Rivers, Public Entity Risk Management: Support for the Establishment of the NYS Office of Risk Management, on file with Authors.

three components have remained fairly constant over the past year with a small increase in the private carrier share matched by a small decline in SIF's market share. For 2007, the estimated size of the workers' compensation system based on premiums adjusted to include self insured employers, was $5.7 billion. This represents a modest increase of $200 million over the estimate for 2006 in the 2008 Data Report."[26] "This estimate is based on the direct written premium of $4.2 billion for private carriers and SIF in 2007, plus an additional $1.5 billion (or 35.3%) to estimate the self-insured sector based on available market share information."[27]

While the size of the system represents potential for increased savings, the subject matter of Workers' Compensation—injuries and illness—also presents an opportunity to help protect people as well as save money. "Slightly over 25% of workers' compensation incidents resulted in lost time. There were 4,478 lost time incidents resulting in 268,896 lost work days in FY 2008/2009 compared with 4,271 lost time incidents resulting in 247,975 lost work days in FY 2007/2008."[28] "Four injury type categories accounted for nearly two-thirds of all incidents in FY 2008/2009: soreness, pain, excluding the back (33.2%); sprains, strains, tears (16.9%); bruises, contusions (7.4%); and back pain, hurt back (7.3%)."[29] A strengthened Office of Risk Assessment and Management could help to curb incidences such as these.

The integration of risk management activities into the course of operating New York's State and local governments could offer a multi-disciplinary approach to the State's business enterprise. This approach breaks down barriers of individual wants and needs which often manifest in the form of law suits, and instead offers an opportunity to achieve government efficiencies addressing both cost and safety needs. A stronger Office of Risk Assessment and Management could ensure that stakeholders examine the totality of the risk which is interrelated between the numerous segments of State government. It is appropriate to approach risk management holistically and address the provision of services and the treatment of related risk by centering upon communication and mitigation, a role best played by a centralized office.[30] This is where the utilization of a strong Office of Risk Assessment and Management is critical as it will act as that centralized and specialized center for examination of the risks which drive up the costs of insurance and the cost of associated with high incidents of property damage and physical injuries.

V. Office of Risk Management in New York as Proposed by S.1029-A (Klein)

The State of New York needs to establish a strong Office of Risk Assessment and Management to comprehensively assist in the integration of risk management into New York State operations. The concept of risk management is learning to identify and mitigate risk and to embrace the

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[26] New York State Insurance Department and State of New York Workers' Compensation Board, *Joint Report to the Governor From the Superintendent of Insurance and Chair, Workers' Compensation Board, Summarizing and Benchmarking Workers' Compensation Data and Examining Progress on Prior Recommendations for Improvements in Data Collection*, 8, March 2009. Available at http://www.wcb.state.ny.us/content/main/TheBoard/2009DataCollectionReport.pdf.

[27] *Id.* at 31.

[28] New York State Department of Civil Service, *Annual Report of New York State Government Employees' Workers' Compensation Claims Fiscal Year 2008/2009*.

[29] *Id.* at 36.

[30] Rivers, s*upra* note 26.

opportunities unveiled by what are otherwise misfortunes present in dire economic times. Public entity risk management is about constantly reviewing programming in place to meet the dynamics of our society and the expectations that arise as a result of those changing dynamics. Simply put, risk management makes sound business sense. It provides a comprehensive cost-effective approach to manage evolving risk in our multifaceted State.[31]

However, during a time of the streamlining of agencies, it is inappropriate to create an entirely separate entity to address risk. The Office of General Services is established under Executive Law Article 10. Under Executive Law Section 202 "the office of general services shall provide coordinated services in support of state departments and agencies... Such support services shall (i) serve to conserve state resources, (ii) benefit multiple agencies, and (iii) be consistent with the needs and interests of the agencies receiving those services. Support services may be delivered directly by the Office of General Services or by other means which ensure the cost effectiveness of those services."[32] It is because of this language that the Office of Risk Management would be ideal to be expanded under the auspices of the Office of General Services.

Currently, New York State operates the Bureau of Risk and Insurance Management (BRIM) that is within the Office of General Services (OGS). Essentially, the Bureau of Risk and Insurance Management advises State agencies and assists them in satisfying their insurance needs and claims processing.[33] As explained on BRIM's website, a few of the services the Bureau provides include: (1) responding to agency requests for insurance coverage, (2) supporting claimants involved in accidents with State vehicles, (3) advising agencies on how to improve employee safety and loss control practices, (4) coordinating, as a new service to OGS and other agencies, a Equipment Maintenance Program, and (5) advancing other risk management initiatives.[34] It is important to note that BRIM has been doing a good job in providing the risk management services that they currently offer to State agencies. There are, however, untapped opportunities for the Office of Risk Assessment and Management to further expand BRIM and give it increased power by allowing it to approach other agencies rather than simply having agencies come to it for assistance. This proactive approach and expansion of ability could also help local governments properly meet their risk management needs.

As important as BRIM is to New York, BRIM should be strengthened to address the daunting needs and challenges that risk imposes both financially and operationally within the State. What is needed is an office which is proactive, not simply reactive, in identifying the areas where risk is driving up the variable and fixed costs to operate the State as well as reducing the potential dangers faced by its citizens. An enhanced Office of Risk Assessment and Management, while still part of the OGS, would expand the current role of BRIM.

Importantly, S.1029-A (Klein) is not adding a new cost for the State. While the creation or strengthening of new offices often involve start-up costs, overhead, and salaries, this is an expansion of powers which will be funded by cost savings found by the State. That is, there is

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[31] *Id.*

[32] 10 Exec. Law § 202.

[33] Office of General Services, Bureau of Risk and Insurance Management. Available at http://www.ogs.state.ny.us/aboutOgs/ourOrganization/administration/insurance/default.html

[34] *Id.*

an existing office whose powers are being expanded to be able to act proactively to combat the rising costs to the State associated with risk.

Under S.1029-A (Klein), an Office of Risk Assessment and Management would have an appointed Risk Manager with the duty and responsibility to help to contain current and future state liabilities intrinsic to physical injury or damage to property that occurs during the course of State operations. The Risk Manager would be appointed by the Commissioner of General Services who would also set the compensation of the Risk Manager within the amounts appropriated. Additionally, the Risk Manager would have qualifications including an understanding of the application of the generally accepted principles, standards and techniques utilized for management of enterprise risk. The manager must also have sufficient experience in identifying, assessing and managing enterprise risk exposure that can reasonably be expected to be raised during the course of State operations. Among the responsibilities of the risk manager include:

1) Conducting an inventory of all State real property and ascertaining past, present and future liability exposure due to State operations on such property.

2) Conducting a study of the actions of the Court of Claims and other courts of competent jurisdiction and payment of those claims, paid through both judgment and settlement, to ascertain trends in the payment of claims due to injury of persons or property.

3) Conducting a study of current State practices and how those practices could be altered to minimize future claims brought against the State. This would be done by advising various State agencies on proper risk management techniques and procedures.

4) Looking at financial losses arising from the ownership or use of real or personal property and to establish business continuity programs for state services.

In addition, Stage agencies would be required to cooperate with the work of the Office of Risk Assessment and Management and with the Risk Manager. From there, the Risk Manager would suggest risk management techniques of saving a state agency money and/or lower future potential liabilities. Once a recommendation was submitted to an agency, such agency would have sufficient time to comment on that particular recommendation. Once the office and agency agrees on how to move forward on its recommendations, the agency would initiate the new cost saving plan. Also, any public benefit corporation, public authority, or local government could be able to contract with the state risk manager to perform risk management services or supplement already existing internal risk assessment and management services. Moreover, the Office and the Risk Manager would be authorized to contract with outside vendors or consultants with expertise in risk management, claims management, or safety management. This ensures that the flexibility of the Office to work with the best that New York has to offer in this field.

Fiscal Implications

Preliminary conservative estimates are that this bill will reduce State costs by $50 million in the first year and expand to $150 million by year three through lower claims and settlements, lowered insurance rates, and pendant savings which range from fewer payments through Worker's Compensation to fewer sick days.

The savings presented here are extrapolated from savings experienced in other States as well as numbers presented in the past. One measure is against Texas, which experienced $69.6 million in savings attributed to the actions of their Office of Risk Management relative to a biannual All Funds budget of approximately $182 billion in SFY 2010-2011 (approximately $91 billion per year).[35] New York State in SFY 2009-2010 had an All Funds budget of $131.9 billion.[36] Another such measure is that presented by Washington State, discussed above, which reflected an estimated ten year savings of $365 million attributed to the Office of Risk Management. Washington had a biannual budget of approximately $66.1 billion (about $32-33 billion per year) and yet managed staggering savings over a decade.[37] While a direct parallel cannot be drawn as each State faces different challenges, risks, and agency structures, it sets a ballpark of savings that can be anticipated. However, as a more local benchmark of reliability, in 1992 the Department of Insurance estimated savings of $60 million for a proposal similar to S.1029-A (Klein).[38] Following the Consumer Price Index, that $60 million now amounts to approximately $94 million in savings.

The time frame for savings extends well into the future as New York will continue to face serious challenges. However, the time frame for set savings in New York cannot be truly found until three years into the process, as was demonstrated by Washington. Like Washington State, in New York there are certain statutes of limitation that apply to different claims against the State and there are various periods of time to bring a claim against the State. Three years provides time to resolve most claims that may be pending against the State at the time of the passage of this legislation. Such a timeline is reflected by the Insurance Department which states that "even 5 years after the accident year, 26% of the ultimate costs of claims have not been reserved for, compared to 7% in other states."[39]

As indicated by the success of the integration of such an office in other States and in the private sector, there will be sizable savings generated by the State in reduced costs to compensate for injuries sustained to persons and property and lowered insurance. However, in financing the work of the new Risk Manager, many other States and municipal governments have appointed an experienced risk management company or have employed professional risk managers to conduct the work of risk management and assessment. Often risk managers are compensated based on a percentage of the amount of money that has been demonstrated that they saved their client. This

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[35] Texas Budget Source, *State: Budget Overview*. Available at http://www.texasbudgetsource.com/state/where-the-money-is-spent/budget-overview/. *See also* Texas Office of Risk Management, *Annual Report on Cost Containment: Fiscal Year 2010*, December 2010.

[36] Office of New York State Comptroller, *Report on the State Fiscal Year 2009-10 Enacted Budget*, May 2009. Available at http://www.osc.state.ny.us/reports/budget/2009/rptenactedbudget09_10.pdf.

[37] Office of Governor Chris Gregoire, *Proposed 2009-2011 Budget Policy Highlights*, Dec. 2008. Available at http://www.ofm.wa.gov/budget09/highlights/highlights.pdf; *see also* Sunshine Review, *Washington State Budget.* Available at http://sunshinereview.org/index.php/Washington_state_budget.

[38] S.761 (Vellela)/A.7420 (Dugan) of 1995.

[39] Joint Report, *supra* note 27, at 38.

same principle would be applied in New York and the funds needed to support the proposed State Risk Manager's work would be received from a percentage of money that the risk manager saves the participating public entity needing assistance. This addresses the primary concerns of the Pataki Administration which vetoed a similar bill in 1995, S.761 (Velella)/A.7420 (Dugan), for fiscal concerns. Further, that bill created an entirely new office at a predicted cost of $500,000. This bill approaches the issue from another angle, expanding an existing office and paying for any related costs from the savings in a manner that is commonly now done in both the private and governmental sectors. Thus avoiding new costs during a time fiscal crisis as well as incentivizing large savings to New York.

VI. Conclusion

The Independent Democratic Conference believes that S.1029-A (Klein) is well-designed to integrate and strengthen the use of risk management in a holistic fashion to provide services to the State and local governments and proactively treat and mitigate the costs of risk to the State and its citizens. These savings, based upon other States' savings and actuarial information addressing a similar program, conservatively estimate the savings at $50 million in the first year and $150 million within three. It centers on the effective communication of risk and the strategic implementation of our collective business realities. In doing so, it teaches individuals and departments that each action taken is similar to a physics equation with an equal and opposite reaction. The creation of this office affords the State the opportunities to capitalize on those additional enterprises that have the potential of originating from that one risk mitigation. That is, all of our actions matter and contribute to the totality of the costs and risks in the State of New York.

The drastic savings, in the hundreds of millions of dollars each year, anticipated from proactively searching out, assessing, and mitigating risk presents multifaceted benefits in several important aspects. It will allow the Office of Risk Assessment and Management to be self-funded from a small portion of the savings, it presents savings to all areas of the many levels of government in New York, and it allows for increased business enterprise for New York's employees and citizens. Importantly, it will also decrease the incidence of injuries to the employees and citizens of New York. Additionally, it is available as a tool to help the many local governments of New York State and the issues they face. This proactive mission prevents waste on many levels and can only enhance the goals set out by Governor Cuomo in his Executive Budget.

New York State has the opportunity to achieve global efficiencies and cost reductions in unifying and enacting a multidisciplinary approach to business in establishing an Office of Risk Assessment and Management. Risk management is a cost-effective measure aimed at providing cost savings as well as additional safety mitigation within our workforce. Creation of a central office within the Department of General Services may appear contrary to the policy of cutting and streamlining government entities. However, the Office meets the underlying purpose of the streamlining: cost savings and assessment of inefficiencies and waste. Being able to communicate, share and find successes in State enterprises can revive otherwise ailing areas by helping with budget bottom lines as well as improving the quality of life for employees and citizens.[40] The creation of the Office of Risk Assessment and Management creates opportunity and is a fiscally and socially responsible measure that should be taken during this difficult times.

[40] Marilyn L Rivers, CPCU ARM AIC, Public Entity Risk Management: Support for the Establishment of the NYS Office of Risk Management.

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