

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: HB 5015

INTRODUCER: House Appropriations Committee and Representative Perez

SUBJECT: Evaluation of Significant State Risks

DATE: February 25, 2022

REVISED: 3/1/22

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. Shettle	Sadberry	AP	Fav/1 amendment

Please see Section IX. for Additional Information:

AMENDMENTS - Significant amendments were recommended

I. Summary:

HB 5015 creates the Legislative Office of Risk Assessment, a joint unit of the Legislature, which will be headed by a Chief Risk Officer. The bill requires the office to:

- Identify significant risks to the state and develop and biennially update a State Risk Register;
- Identify potential cost-effective interventions to mitigate the risks included in the State Risk Register;
- Estimate the economic damage associated with the risks identified in the State Risk Register within a 10-year and 30-year timeframe;
- Estimate the anticipated reduction in economic damage associated with the potential interventions within a 10-year and 30-year timeframe; and
- Provide the Legislature with a process and the analytical tools required to consider and manage significant risks comprehensively and not in isolation over a 10-year and 30-year period. The office must develop a support process capable of providing comparisons of the cost-effectiveness of different combinations of interventions for all risks included in the State Risk Register based on the anticipated level of economic damage in adverse cases and the investment in interventions over both a 10-year and 30-year timeframe.

By July 1, 2023, the office must submit to the Legislative Budget Commission (LBC) a State Risk Register and a list of potential cost-effective interventions to mitigate the risks include in the State Risk Register. The submission must include the estimates of the economic damage associated with the significant risks identified in the State Risk Register and the estimates of the anticipated reduction in economic damage associated with all identified interventions within a 10-year and 30-year period. The State Risk Register must be updated biennially thereafter and submitted to the LBC.

By July 1, 2024, and each July 1 thereafter, the office must prepare and submit to the President of the Senate and Speaker of the House of Representatives an annual progress report, using evaluation metrics to assess the state's progress in mitigating the economic damage associated with the significant risks identified in the State Risk Register over a 10-year and 30-year period. The annual progress report must also identify emerging risks for inclusion in the next annual update to the State Risk Register.

The bill creates a Risk Estimating Conference. The bill provides that the conference must develop estimates of the economic damage associated with risks identified in the State Risk Register and the reduction in the potential economic damage associated with the risks in the State Risk Register anticipated to result from potential interventions intended to mitigate such damages.

The fiscal impact of the bill is indeterminate.

II. Present Situation:

The Office of Economic and Demographic Research is a research arm of the Legislature principally concerned with forecasting economic and social trends that affect policy making, revenues, and appropriations. Estimating conferences include those focused on criminal justice, demographics, early learning, the Florida Retirement System, and economics.¹ Such forecasts are essential for a variety of government planning and budgeting functions, including ensuring that Florida meets its constitutional balanced budget requirement.

While the state takes great measures to ensure economic and demographic forecasts are used to plan for anticipated needs of the state, there is no process to evaluate significant risks comprehensively or to evaluate interventions available to mitigate such risks. Risks to the state include cybersecurity, communicable diseases, water quality and quantity, and natural disasters among others. State reserves have been sufficient to address risks, including declared states of emergency, thus far. There is, however, no comprehensive fiscal strategy to reduce risks across the board.

III. Effect of Proposed Changes:

The bill creates the Legislative Office of Risk Assessment, a joint unit of the Legislature governed by the Joint Rules of the Senate and House of Representatives. The bill provides that the office will be headed by a Chief Risk Officer, appointed by and serving at the pleasure of the President of the Senate and the Speaker of the House of Representatives. The Chief Risk Officer may employ qualified individuals and contract for professional services necessary to carry about the duties of the office, subject to approval of the President of the Senate and Speaker of the House of Representatives.

The bill requires the office to:

¹ Consensus Estimating Conferences, EDR, <http://edr.state.fl.us/Content/conferences/index.cfm> (last visited February 7, 2022).

- Identify significant risks to the state and develop and biennially update a State Risk Register. The Register must identify the most significant risks to the state over a 10-year and 30-year timeframe. Risks must be measured by the estimated value of cash damages during the timeframe and by the estimated peak state gross domestic product decline during the same period.
- Identify potential cost-effective interventions to mitigate the risks included in the State Risk Register.
- Estimate the economic damage associated with the risks identified in the State Risk Register within a 10-year and 30-year timeframe.
- Estimate the anticipated reduction in economic damage associated with the potential interventions within a 10-year and 30-year timeframe.
- Provide the Legislature with a process and the analytical tools required to consider and manage significant risks comprehensively and not in isolation over a 10-year and 30-year period. The office must develop a support process capable of providing comparisons of the cost-effectiveness of different combinations of interventions for all risks included in the State Risk Register based on the anticipated level of economic damage in adverse cases and the investment in interventions over both a 10-year and 30-year timeframe.

By July 1, 2023, the office must submit to the Legislative Budget Commission (LBC) a State Risk Register and a list of potential cost-effective interventions to mitigate the risks include in the State Risk Register. The submission must include the estimates of the economic damage associated with the significant risks identified in the State Risk Register and the estimates of the anticipated reduction in economic damage associated with all identified interventions within a 10-year and 30-year period.

By July 1, 2024, and each July 1 thereafter, the office must prepare and submit to the President of the Senate and Speaker of the House of Representatives an annual progress report, with the report using evaluation metrics to assess the state's progress in mitigating the economic damage associated with the significant risks identified in the State Risk Register over a 10-year and 30-year period. The annual progress report must also identify emerging risks for inclusion in the next annual update to the State Risk Register.

By July 1, 2025, and by July 1 of each odd year thereafter, the bill requires the office to submit to the LBC an updated State Risk Register. The submission must include the estimates of the economic damage associated with the significant risks identified in the State Risk Register and the estimates of the anticipated reduction in economic damage associated with all identified interventions within a 10-year and 30-year period.

The bill creates a Risk Estimating Conference. The bill provides that the conference must develop estimates of the economic damage associated with risks identified in the State Risk Register and the reduction in the potential economic damage associated with the risks in the State Risk Register anticipated to result from potential interventions intended to mitigate such damages.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill creates a joint legislative office dedicated to identifying and evaluating significant risks to the state and identifying and evaluating intervention strategies to reduce the risks to the state over a 10-year and 30-year period. Creation of the joint legislative office will have an indeterminate, yet likely insignificant fiscal impact.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 216.136, Florida Statutes.

This bill creates section 11.9006, Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

Barcode 392560 by Appropriations on February 28, 2022:

The amendment:

- Revises the duties of the Legislative Office of Risk Assessment to only include identifying significant and current future risks to the state over a 10-year and 30-year timeframe, and identifying potential interventions to mitigate the risks;
- Authorizes the President of the Senate or the Speaker of the House of Representatives to convene a special estimating conference to develop estimates of potential economic damages from posed risks;
- Requires the office to submit an annual report to the President and the Speaker; and
- Sunsets the office on June 30, 2027.

(WITH TITLE AMENDMENT)