

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 5015 PCB APC 22-08 Evaluation of Significant State Risks

SPONSOR(S): Appropriations Committee, Perez

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Appropriations Committee	29 Y, 0 N	Harrington	Pridgeon

SUMMARY ANALYSIS

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 identify and evaluate the most significant risks confronting the state comprehensively or to evaluate interventions available to mitigate such risks.

The bill 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. See Fiscal Comments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

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 cyber, 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.

In 2021, the Speaker of the House of Representatives commissioned Willis Towers Watson (WTW) to develop a state-wide strategy to identify and prepare for the leading risks facing the state. In commissioning this assessment, Florida became the first state to conduct a state-wide risk assessment to demonstrate how evaluating risks collectively can aide in policymaking. The WTW assessment is anticipated to be finalized this month and should serve as a starting place to initiate an ongoing process of identifying, analyzing and managing Florida's most significant risks.

Effect of the Bill

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:

- 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

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

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.

B. SECTION DIRECTORY:

Section 1. creates s. 11.9006, F.S., creating the Legislative Office of Risk Assessment, requiring the office to create a State Risk Register, and requiring certain reports.

Section 2. amends s. 216.136, F.S., establishing a Risk Estimating Conference.

Section 3. provides that the bill is effective July 1, 2022.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

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. The House proposed 2022-23 GAA includes recurring appropriations for the legislature that can be utilized to support the joint legislative office created in this bill.

Although the bill does not mandate any specific legislative action, the bill will likely result in more purposeful evaluation of risks, costs, and long-term strategies to reduce the state's risk exposure. The House proposed 2022-23 GAA includes funding to reduce the state's risk exposure including \$171 million to support improving Florida's cybersecurity, \$1.2 billion for Everglades restoration and protection of Florida's water resources, and an additional \$50 million to invest in a new State Emergency Operations Center.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

Not applicable.