

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1714 S HB	<b>Title:</b> Small business risk pooling
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## Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Enterprise Services	0	0	10,000	0	0	10,000	0	0	10,000
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.3	72,400	72,400	72,400	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Enterprise Services	.0	0	0	10,000	.0	0	0	10,000	.0	0	0	10,000
<b>Total \$</b>	<b>0.3</b>	<b>72,400</b>	<b>72,400</b>	<b>82,400</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>10,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Department of Enterprise Services	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Jason Brown, OFM	<b>Phone:</b> (360) 742-7277	<b>Date Published:</b> Final 3/12/2025
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1714 S HB	<b>Title:</b> Small business risk pooling	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

☒ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

<b>Legislative Contact:</b> Rachelle Harris	<b>Phone:</b> 360-786-7137	<b>Date:</b> 02/23/2025
<b>Agency Preparation:</b> Cassandra Jones	<b>Phone:</b> 360-709-6028	<b>Date:</b> 02/27/2025
<b>Agency Approval:</b> Leah Snow	<b>Phone:</b> 360-586-2104	<b>Date:</b> 02/27/2025
<b>OFM Review:</b> Val Terre	<b>Phone:</b> (360) 280-3073	<b>Date:</b> 02/27/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

- 1. The Attorney General’s Office (AGO) Government Compliance & Enforcement Division (GCE) has reviewed this bill and determined it will not increase or decrease the division’s workload in representing the Office of the Insurance Commissioner (OIC). This bill would allow small business entities to form a joint self-insurance program, subject to the approval and oversight of the Department of Enterprise Services (DES) State Risk Manager. Section 3 would allow programs to consult with OIC in addition to the State Risk Manager. Although this bill would affect the State Risk Manager’s work and may result in consultation requests for OIC it would not generate any new advice requests or increase in litigation. Therefore, no costs are included in this request.
- 2. The AGO Revenue Division (REV) has reviewed this bill and determined it will not significantly increase or decrease the division’s workload in representing the Department of Revenue (DOR). This bill provides a business and occupation tax exemption. This exemption will impact DOR’s need for legal services. New legal services are nominal, and costs are not included in this request.
- 3. The AGO Transportation and Public Construction Division (TPC) has reviewed this bill and determined it will not significantly increase or decrease the division’s workload in representing DES. DES Risk Management Division has created and supported similar risk pools, that will require a moderate level of support in the initial two to three years after enactment, and support required after the initial period will be nominal, and costs are not included in this request.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1714 S HB	<b>Title:</b> Small business risk pooling	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.4	0.1	0.3		
<b>Account</b>					
GF-STATE-State 001-1	58,200	14,200	72,400		
<b>Total \$</b>	58,200	14,200	72,400		

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: (360) 786-7137	Date: 02/23/2025
Agency Preparation: Victor Crosetti	Phone: (360) 534-1554	Date: 02/26/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 02/26/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 03/03/2025

Request # 1714-2-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects language in SHB 1714, 2025 Legislative Session.

#### COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL BILL:

The substitute bill clarifies the scope of the business and occupation (B&O) tax deduction. It clarifies that B&O taxes do not apply to participating small business entities' income from risk-pooling activities. The substitute also places the exemption in the correct part of the law (Chapter 82.04 RCW).

#### CURRENT LAW:

Washington excise tax laws do not address alternative property and liability entities.

Businesses may choose to pool resources together and create either a captive insurance group or a risk retention group through the Washington Office of the Insurance Commissioner (OIC). OIC administers the insurance premium tax on income received from premium payments, which is exempt from business and occupation (B&O) tax.

B&O tax applies to gross income earned from commissions, fees, and renewals.

#### PROPOSAL:

This proposal authorizes small business entities to participate in joint self-insurance programs covering property or liability risks.

Participants may form a self-insurance program by creating a separate legal entity or jointly purchasing insurance. Approved programs are exempt from insurance premium tax, assessed fees, and B&O tax. However, B&O tax continues to apply to insurance companies issuing policies covering program risks and third-party administrators or insurance producers serving the program.

This program requires prior approval, annual audits, and compliance with solvency standards enforced by the state risk manager with the Washington Employment Security Department.

A small business entity is any type of for-profit entity with no more than 20 employees employed on average over the last 24 calendar months.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

The revenue impact of this bill is indeterminate because we do not know which small businesses will choose to create a self-insurance program or join together to purchase insurance. We also do not know the taxable revenue generated by these businesses that will become exempt from the B&O tax under this proposal.

## II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

### ASSUMPTIONS:

This legislation will affect 900 new entities created to pool insurance for small businesses.

### FIRST YEAR COSTS:

The department will incur total costs of \$58,200 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.4 FTE.

- Set up, program, and test computer systems for a new B&O tax deduction.
- Assist taxpayers with reporting questions and respond to secure messages, correspondence, and phone calls.
- Respond to data requests and questions, compile statistics, and manage data.

Object Costs - \$7,000.

- Contract computer system programming.

### SECOND YEAR COSTS:

The department will incur total costs of \$14,200 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Respond to data requests and questions, compile statistics, and manage data.

### ONGOING COSTS:

There are no ongoing costs.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.4	0.1	0.3		
A-Salaries and Wages	31,800	9,100	40,900		
B-Employee Benefits	11,500	3,300	14,800		
C-Professional Service Contracts	7,000		7,000		
E-Goods and Other Services	6,300	1,600	7,900		
J-Capital Outlays	1,600	200	1,800		
<b>Total \$</b>	<b>\$58,200</b>	<b>\$14,200</b>	<b>\$72,400</b>		

**III. B - Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EXCISE TAX EX 2	59,844	0.1		0.1		
EXCISE TAX EX 4	72,924	0.1		0.1		
IT B A-JOURNEY	94,728	0.1		0.1		
TAX POLICY SP 3	91,068	0.1	0.1	0.1		
<b>Total FTEs</b>		<b>0.4</b>	<b>0.1</b>	<b>0.3</b>		



**III. C - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1714 S HB	<b>Title:</b> Small business risk pooling	<b>Agency:</b> 160-Office of Insurance Commissioner
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## Part I: Estimates

☒ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/23/2025
Agency Preparation: Tyler Langford	Phone: 360-725-7173	Date: 02/24/2025
Agency Approval: Stacey Warick	Phone: (360) 725-0000	Date: 02/24/2025
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/24/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

No fiscal impact on the Office of Insurance Commissioner (OIC). The small business self-insurance risk pool programs created by the bill will be overseen by the state risk manager, with no impact to OIC operations.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1714 S HB	<b>Title:</b> Small business risk pooling	<b>Agency:</b> 179-Department of Enterprise Services
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Risk Management Administration Account-State 546-1	5,000	5,000	10,000	10,000	10,000
<b>Total \$</b>	5,000	5,000	10,000	10,000	10,000

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
<b>Account</b>					
Risk Management Administration Account-State 546-1	5,000	5,000	10,000	10,000	10,000
<b>Total \$</b>	5,000	5,000	10,000	10,000	10,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/23/2025
Agency Preparation: Norma Rosado	Phone: (360) 407-9254	Date: 02/26/2025
Agency Approval: Jessica Goodwin	Phone: (360) 819-3719	Date: 02/26/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 02/26/2025

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

The substitute bill differs from the previous version by adding a new section to chapter 82.04 RCW in addition to the new chapter and section in Title 48 RCW. The amended bill clarifies that there is no tax exemption for commercial insurers providing coverage or third-party administrators providing services to small business risk pool formed under the provisions of this bill.

Section 1 is a new section added to Title 48 RCW stating that it is the Legislature's intent to enable opportunities for risk pooling by small businesses for property and liability risks.

Section 2 is a new section that defines the terms used in this proposed legislation. Included in the defined terms is "state risk manager", which is intended to mean the risk manager of the Office of Risk Management (ORM) within the Department of Enterprise Services (DES).

Section 3 is a new section that states that two or more small business entities may form a joint self-insurance program, and may jointly purchase insurance or reinsurance, for property and liability risks permitted under this new chapter. This joint self-insurance program may consult with ORM. Every program governed by this chapter must appoint ORM as its attorney. ORM will receive the initial filing for approval, will be appointed as the program's attorney, shall keep record of the services provided, and receive copy of any legal claims issued against the program if authorized. ORM shall set and charge a taxable fee to recover any attorney service costs.

Section 5 is a new section that states that ORM shall adopt rules governing management and operation of programs for small business entities that cover property or liability risks.

Section 6 is a new section that states that new programs under this section must obtain the approval of ORM before they are established. The small business entities proposing the creation of a new program shall submit a plan of management and operation to ORM.

Section 8 is a new section that states that ORM shall review, and either approve or disapprove the creation of a new program within 120 days of receipt of a plan of management or operation. Programs found to be in violation of this new Title 48 RCW chapter may be issued a cease-and-desist order by ORM. ORM shall deliver the cease-and-desist order to the appropriate entity or entities directly or by certified mail. ORM may levy a fine upon programs violating this chapter for an amount between \$300 - \$10,000. Fines collected by ORM will be paid to the state treasurer for deposit into the general fund. For approved programs, ORM will receive annual reports providing the details listed in Section 8 (4), as well as any other information required by rule of ORM.

Section 9 is a new section that states that ORM shall establish an investigation fee to recover any costs incurred during initial review and approval of a program, as well as any subsequent review and investigation costs.

Section 13 is a new section that states that ORM shall be immune from liability in any civil action or suit related to the official activities related to this act, unless actual malice, fraud or bad faith is shown.

The proposed legislation has fiscal impact to DES.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Section 3 of the bill states that program participants will pay the Department of Enterprise Services (DES) Office of Risk Management (ORM) a service fee to administer a small business risk pool program.

Section 9 of the bill states that DES ORM shall establish and charge an investigation fee to cover costs for initial review and approval of a program. Subsequent reviews and investigations must be charged to the program being reviewed or investigated.

All costs incurred to support the small business risk pool program, will be recovered through the service and investigation fees authorized in sections 2 and 9.

## II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

The Department of Enterprise Services (DES) Office of Risk Management (ORM) provides similar regulatory work for risk pools that support other governmental and non-profit entities. ORM can expand its services to include small business risk pools. Costs associated with the administration of the small business risk pool would be recovered through the fees established in sections 2 and 9 of this act.

Updates to ORM's risk management system will be needed. Costs are estimated at \$5,000.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
546-1	Risk Management Administration Account	State	5,000	5,000	10,000	10,000	10,000
Total \$			5,000	5,000	10,000	10,000	10,000

### III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services	5,000	5,000	10,000	10,000	10,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	5,000	5,000	10,000	10,000	10,000

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 5 of the bill states that the Department of Enterprise Services (DES) Office of Risk Management (ORM) shall adopt rules governing the management and operation of programs for small business entities that cover property or liability risks.