

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4647-01
Bill No.: SB 1148
Subject: Administration, Office of; Insurance - Property; Property, Real and Personal;
 Public Buildings
Type: Original
Date: February 27, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue*	\$202,020	\$342,013	\$430,688
Other Funds	\$86,580	\$146,577	\$184,581
State Property Preservation	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	\$288,600	\$488,590	\$615,269

* Does not include unknown appropriation to State Property Preservation Fund.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Design and Construction** and **Office of State Treasurer** assume the proposed legislation will not fiscally impact their organization.

Officials from the **Department of Insurance (INS)** stated the State Property Preservation Fund will consist of moneys appropriated to the fund by the General Assembly. It is assumed that funds appropriated would be General Revenue and, therefore, there is no fiscal impact to the INS.

Officials from the **Office of Administration (COA) - Division of Risk Management (DRM)** stated that over the past 14 years the state has recovered on two claims totaling \$281,000 on losses to covered buildings. This translates to approximately \$20,000 per year average claims cost. Current premium costs for insurance to cover bonded buildings is approximately \$308,000. The COA-DRM's brokers are projecting next year's renewal to increase by as much as 65%. The COA-DRM is assuming the following year a 25% increase may be likely. However, in any given year, there is the risk that a bonded building may be damaged and the cost would be subject to the extend of the damages or loss.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Savings - Office of Administration -</u>			
<u>Division of Risk Management</u>			
Equipment and Expense-Premium Savings	\$216,020	\$356,433	\$445,541
<u>Costs - Office of Administration -</u>			
<u>Division of Risk Management</u>			
Equipment and Expense - Claims Costs	(\$14,000)	(\$14,420)	(\$14,853)
<u>Costs - Appropriation to State Property Preservation Fund</u>			
State Property Preservation Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$202,020*</u>	<u>\$342,013*</u>	<u>\$430,688*</u>

*** Does not include Unknown transfer to State Property Preservation Fund
 OTHER FUNDS**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Savings - Office of Administration - Division of Risk Management</u>			
Equipment and Expense-Premium Savings	\$92,580	\$152,757	\$190,946
<u>Costs - Office of Administration - Division of Risk Management</u>			
Equipment and Expense - Claims Costs	(\$6,000)	(\$6,180)	(\$6,365)
NET ESTIMATED EFFECT ON OTHER FUNDS	<u>\$86,580</u>	<u>\$146,577</u>	<u>\$184,581</u>
STATE PROPERTY PRESERVATION FUND			
<u>Transfer-In from General Revenue Fund</u>			
Appropriations from General Revenue Fund	Unknown	Unknown	Unknown
<u>Costs - State Property Preservation Fund</u>			
Payments for Property Losses	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON STATE PROPERTY PRESERVATION FUND	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act creates the "State Property Preservation Fund". Subject to appropriations, the fund would pay claims for property loss for state-owned or leased buildings.

DESCRIPTION (continued)

In order for the fund to make payment for property loss, a notice of coverage must be issued by the Office of Administration for the property and the state must be contractually obligated to provide insurance for such property.

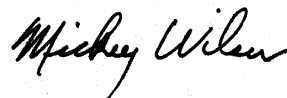
The act limits the aggregate amount of money to be paid out of the fund to not exceed the cost of repairing or restoring the building or the fair market value of the property. Payments from the fund comes only after other insurance policies have been exhausted.

The fund shall satisfy all covenants requiring the state to provide property insurance for state-owned or leased buildings.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Design and Construction
 Division of Risk Management
Department of Insurance
Office of State Treasurer



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Acting Director
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