

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4330-01
Bill No.: HB 1855
Subject: Administration, Office of; Property, Real and Personal; State Departments;
 Treasurer, State
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 **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, no fiscal impact is expected.

Officials from the **Office of State Treasurer** assume the proposed legislation will not fiscally impact their organization.

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 - Division of Risk Management</u>			
Equipment and Expense-Premium Savings	\$216,020	\$356,433	\$445,541
<u>Costs - Office of Administration - 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**

Savings - Office of Administration -
Division of Risk Management

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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	<u>(\$6,000)</u>	<u>(\$6,180)</u>	<u>(\$6,365)</u>
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	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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 bill creates the State Property Preservation Fund, which is to consist of moneys appropriated by the General Assembly.

DESCRIPTION (continued)

Moneys in the fund are available for the payment of any property loss for insured state-owned or leased buildings if a notice of coverage is issued for the property and the state is obligated to provide evidence of insurance.

The aggregate of payments from the fund are not to exceed the lesser of the amounts necessary to repair or restore the covered property to its condition before the covered loss or its fair market value at the time of the loss.

The fund is to be deemed as satisfying all provisions contained in any agreement requiring the state to purchase or maintain property insurance on state-owned or leased buildings or their contents.

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

Department of Insurance
Office of Administration - Division of Risk Management
Office of State Treasurer



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Acting Director
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