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FISCAL IMPACT STATEMENT

LS 7145 **NOTE PREPARED:** Jan 1, 2004
BILL NUMBER: SB 256 **BILL AMENDED:**

SUBJECT: School Corporation Risk Management Programs.

FIRST AUTHOR: Sen. Kenley **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill allows school corporations to enter into interlocal agreements to establish a cooperative risk management program to provide for coverage of certain risks of the school corporations.

Effective Date: Upon passage.

Explanation of State Expenditures: The cooperative must send copies of audit reports, by-laws, interlocal agreements, certified financial statements, and other documents to the Commissioner of Insurance and a copy of the audit report to the State Board of Accounts. If the cooperative fails to have an audit performed, the Commissioner of Insurance must cause the audit to be performed at the expense of the cooperative. If a cooperative fails to comply, the Commissioner must issue a notice of noncompliance. After a cooperative receives a notice of noncompliance, the cooperative must file with the Commissioner a written request for time to restore compliance and a plan to restore compliance. If the plan is not filed, not approved by the Commissioner, or at the end of one year the cooperative program is not in compliance, the Commissioner may grant additional time to comply, or suspend, limit, or terminate the authority of the cooperative. The Department of Insurance (DOI) may adopt rules to implement the above.

The above provisions will increase administrative expenses for the DOI. However, it is assumed that the DOI will be able to absorb these additional expenses given its current budget and resources

Explanation of State Revenues:

Explanation of Local Expenditures: The bill could reduce the insurance costs of local school corporations.

It allows schools to enter into interlocal agreements to establish a cooperative risk management program for insurance. The program would be to jointly self-insure certain risks and purchase excess coverage if claims exceeded a certain amount for:

1. Casualty insurance.
2. Property insurance.
3. Automobile insurance.
4. Surety and fidelity insurance coverage.
5. Umbrella and excess insurance coverage.
6. Worker's Compensation coverage.

The establishment of the program might allow schools to insure a greater risk together than they could individually and reduce costs of aggregate insurance coverage they might require. It is assumed schools would only enter into the agreements if it saved money or reduced exposure to future expenditures.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance and the State Board of Accounts.

Local Agencies Affected: Schools.

Information Sources:

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