

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|---------|-------------------|---------|
| | FY 2013-14 | | FY 2014-15 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | 7,526,667 | | 7,526,667 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | 7,526,667 | | 7,526,667 | |

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill would change provisions relating to contracts for joint law enforcement services.

The Nebraska State Patrol estimates that annually it participates in 98 coordinated joint law enforcement endeavors that would fall under this bill. They estimate an annual cost for liability insurance of \$7,526,667.

Lancaster County Risk Management estimates the cost for liability insurance of \$500,000.

Both the Nebraska State Patrol and the Lancaster County Risk Management response follow and provide more details.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|-----|---|--|
| LB: LB 462 | AM: | AGENCY/POLIT. SUB: Nebraska State Patrol (064) | |
| REVIEWED BY: Joe Wilcox | | DATE: March 11 th , 2013 | PHONE: (402) 471-4178 |
| COMMENTS: LB 462 states that any new joint law enforcement services entity shall provide liability insurance coverage for joint law enforcement personnel. The bill does not define the limit of liability insurance coverage that would be sufficient or required. In the absence of further, clarifying insurance coverage detail, the State Patrol estimate of potential fiscal impact from LB 462 appears reasonable. | | | |

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|-----|--|--|
| LB: LB 462 | AM: | AGENCY/POLIT. SUB: Lancaster County Risk Management | |
| REVIEWED BY: Joe Wilcox | | DATE: January 29 th , 2013 | PHONE: (402) 471-4178 |
| COMMENTS: LB 462 does state that any new joint law enforcement services entity shall provide liability insurance coverage for joint law enforcement personnel. Lancaster County Risk Management correctly identifies that LB 462 does not define the limit of liability insurance coverage that would be sufficient or required under the bill. The agency fiscal note assumes the Tort Claims Act cap of \$5 million. The estimate of \$500,000 to obtain \$5 million of coverage for one year appears excessive. The agency only indicates this cost in FY 2013-14 and the cost of insurance coverage would likely be incurred each year. | | | |

Please complete ALL (5) blanks in the first three lines.

LB⁽¹⁾ 462 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Risk Management

Prepared by: ⁽³⁾ Sue Eckley Date Prepared: ⁽⁴⁾ January 28, 2013 Phone: ⁽⁵⁾ 402-441-6510

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2013-14 | | FY 2014-15 | |
|--------------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | \$500,000 | _____ | _____ | _____ |
| TOTAL FUNDS | \$500,000 | _____ | _____ | _____ |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.
 Explanation of Estimate:

LB 462 establishes a separate legal entity to conduct the undertakings of contracts for joint law enforcement services. The legal entity has the duty to provide liability insurance coverage for the joint law enforcement personnel and activities that is separate and distinct from any liability coverage provided by each participating public agency.

LB 462 does not define the limit of liability coverage that would be sufficient. The current Tort Claims Act caps at \$5 million dollars. Purchasing protection to the ultimate Tort Claims Act cap would cost approximately \$250,000 for the excess above whatever self-insured retention level is established. A standard self-insured retention level of \$250,000 would be necessary to build a reserve to fund the self-insured level and then the excess insurance purchased to provide protection to the Tort Claims Act cap. The total fiscal impact estimate is \$500,000 providing an insurance carrier would be willing to write the excess with a \$250,000 SIR.

MAJOR OBJECTS OF EXPENDITURE

| <u>PERSONAL SERVICES:</u> | <u>NUMBER OF POSITIONS</u> | | <u>2013-14</u> | <u>2014-15</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>13-14</u> | <u>14-15</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |

2013 Legislative Bill Proposal Fiscal Note

Bill Proposal #: LB 462

State Agency: Nebraska State Patrol

Prepared by: Carol Aversman

Date Prepared: 3/4/13

Phone: (402)479-4945

Approved by:

Estimate of Fiscal Impact – State Agencies

| | FY 2012 - 2013 | | FY 2013 - 2014 | | FY 2014 -2015 | |
|---------------|----------------|---------|----------------|---------|---------------|---------|
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | | | \$7,526,667 | | \$7,526,667 | |
| Cash Funds | | | | | | |
| Federal Funds | | | | | | |
| Other Funds | | | | | | |
| Total Funds | | | | | | |

Explanation of Estimate:

LB 462 requires that if municipalities, counties, law enforcement entities or departments of state or local government participate in joint law enforcement endeavors, a contract must be entered into, a separate legal entity must be established, and such legal entity must provide liability insurance coverage for joint law enforcement personnel and activities that is separate and distinct from any liability coverage provided by each participating public agency. For purposes of clarification, the State Patrol considers a contract to consist of any agreement involving long-term joint law enforcement efforts. Not included in this definition are any one-time coordinated joint law enforcement efforts that are not recurring or may be short-term in nature. The State Patrol estimates that at a minimum it annually participates in 98 coordinated joint law enforcement endeavors that meet the definition provided. These range from endeavors that are considered high risk where the liability potential is estimated at \$5,000,000, medium risk with a liability potential of \$3,000,000 and low risk with a liability potential of \$1,000,000. The State Patrol estimates that it will annually participate in a minimum of 25 high risk joint endeavors, 15 medium risk joint endeavor, and 58 low risk joint endeavors. Initial inquiries with insurance companies have resulted in the indication that due to the level of risk and nature of such law enforcement activities, the cost of liability insurance is very large. While no insurance company was willing to provide an actual quote without further evaluation, the State Patrol estimates that the minimum cost for such insurance is 10% of the total coverage (for example, \$500,000 in cost for \$5,000,000 in coverage). The State Patrol estimates that the annual cost for liability insurance for roughly 98 such joint law enforcement endeavors is \$7,526,667.

Major Objects of Expenditure

Personal Services:

| Position Title: | Number of Positions | | | 2012 - 2013 | 2013- 2014 | 2014-2015 |
|----------------------|---------------------|-------|-------|--------------|--------------|--------------|
| | 12-13 | 13-14 | 14-15 | Expenditures | Expenditures | Expenditures |
| Benefits | | | | | | |
| Operating | | | | | \$7,526,667 | \$7,526,667 |
| Travel | | | | | | |
| Capital Outlay | | | | | | |
| Aid | | | | | | |
| Capital Improvements | | | | | | |
| TOTAL | | | | | | |