



**Colorado  
Legislative  
Council  
Staff**

**Bill 7**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0399  
**Prime Sponsor(s):**

**Date:** October 26, 2015  
**Bill Status:** School Safety and Youth in Crisis  
Interim Committee Bill Request  
**Fiscal Analyst:** Kerry White (303-866-3469)

**BILL TOPIC:** INSURANCE COVERAGE SCHOOL DISTRICTS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
<b>State Revenue</b> General Fund Cash Funds	At least \$254,000 Potential increase.	At least \$254,000 Potential increase.
<b>State Transfers</b> General Fund	Potential increase. See State Diversions section.	
<b>State Expenditures</b> Cash Funds	Potential increase. See State Expenditures section.	
<b>TABOR Impact</b>	See TABOR Impact section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> Potential revenue and expenditure increases.		

**Summary of Legislation**

This bill, *requested by the School Safety and Youth in Crisis Interim Committee*, requires that a self-insurance pool that provides coverage to school districts be regulated as an insurance company.

**Background**

Under current law, public self-insurance pools are not regulated as insurance companies. Insurance companies operating in Colorado are subject to regulation by the Division of Insurance (DOI) within the Department of Regulatory Agencies (DORA). Current law requires that insurance companies submit to financial examinations and annual report filing requirements. An insurance company pays an annual fee to DORA based on the amount of premiums it collects; these fees are credited to the Division of Insurance Cash Fund in DORA. Each insurance company also pays a premium tax based on its collections, which is credited to the General Fund. Depending on where the company is located, premium tax rates are either 1 percent (instate) or 2 percent (out of state). In 2014, there were at least four self-insurance pools providing some form of insurance coverage to school districts. These four self-insurance pools earned about \$25.4 million in premiums.

## **State Revenue**

This bill affects state revenue in two ways.

First, the value of premiums collected for coverage provided to school districts will be subject to premium taxes. Based on 2014 premiums earned, revenue to the General Fund will increase by at least \$254,000 per year, which represents 1 percent of the premiums earned and assumes that coverage will be purchased from a Colorado-based insurance company or that an existing Colorado-based self-insurance pool will reorganize as an insurance company. The amount of premium taxes will be greater if schools choose to obtain the same level of coverage from an insurance company that is located out of state, or will be reduced if school districts choose to reduce the amount of coverage obtained.

Second, to the extent that self-insurance pools providing insurance to school districts choose to become organized as insurance companies, revenue will increase for the DOI within DORA in the form of annual fees. Fees vary based on the amount of premiums collected by the insurance company and range between approximately \$1,000 and \$3,500 per year, credited to the DOI Cash Fund.

## **State Diversions**

If self-insurance pools choose to become insurance companies and their annual fee is insufficient to cover regulatory costs, the bill could increase the amount of money diverted from the General Fund to the DOI Cash Fund. Under current practice, DOI regulatory fees are set to recover approximately 90 percent of costs and the remainder is diverted from premium tax revenues that would otherwise be credited to the General Fund.

## **TABOR Impact**

To the extent that self-insurance pools providing insurance coverage to school districts choose to become regulated as insurance companies, this bill may increase state revenue from annual fees credited to the DOI Cash Fund, which will increase the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

## **State Expenditures**

To the extent that self-insurance pools providing insurance to school districts choose to become organized as insurance companies, regulatory workload will increase for the DOI within DORA. The fiscal note assumes that expenses will be paid from the DOI Cash Fund with revenues from annual regulatory fees and diversions from premium taxes.

## **School District Impact**

Under the bill, local boards of education that are currently organized in self-insurance pools will either be required to pay fees and premium taxes and become regulated under the Department of Regulatory Agencies as an insurance company or to seek coverage for property and liability claims in the private market. Depending on the selections by school districts, coverage in the

private market may increase or decrease coverage and administrative costs. As of this writing, the future choices of school districts is not known and, therefore, the fiscal impact of this bill has not been determined.

Pursuant to Section 22-32-143, C.R.S., school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

**Effective Date**

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

**State and Local Government Contacts**

Education

Law

Public Safety

Regulatory Agencies