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F I S C A L I M P A C T R E P O R T

SPONSOR:	Burpo	DATE TYPED:	02/01/00	HB	157
SHORT TITLE:	Risk Reserve Balances			SB	
			ANALYST:	Carrillo	

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	**FY01**	**FY00**	**FY01**		
		See Fiscal Implications		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

General Services Department

LFC Files

SUMMARY

Synopsis of Bill

House Bill 157 proposes to repeal the risk reserve and transfer the balance to the risk fund - Surety Bond, Public Property, Workers' Compensation, Public Liability and State Unemployment Compensation. HB 157 carries an emergency clause.

Significant Issues

Funding in the risk reserves is used to pay for claims against state agencies and state universities that are handled by the Risk Management Division (RMD) of the General Services Department (GSD). All claims, particularly liability claims, are very volatile and difficult to predict. Should claims exceed the funding appropriated to the risk funds, payments are delayed which could result in increased liability (increased claim costs and associated legal representation). Currently, transferring funding from the risk reserves to the risk funds requires legislative action.

FISCAL IMPLICATIONS

According to GSD staff, if the funding is not available to pay claims, there could be additional costs to RMD to settle cases. If a special session of the legislature were need for access to the funding in the risk reserve, the general fund costs to the state is estimated at a minimum of $100.0.

OTHER SUBSTANTIVE ISSUES

The purpose of the risk reserve is to be used only upon specific authorization by the legislature for a specific amount to either meet: (1) obligations of the general fund that cannot be satisfied by general fund revenues, including any amounts in the operating reserve; or (2) obligations of any risk fund that cannot be met by the balance in that risk fund.

GSD comments in 1996 the general fund operating reserve was at a low level. This was accomplished by authorizing use of cash reserves from the risk funds. The operating reserve has been restored to satisfactory levels. In addition, New York financial institutions reviewing state finances have pointed out that since risk reserves are committed dollars, they are not an appropriate substitute for state cash reserves. Therefore, keeping the risk reserve in place holds no advantage for the state.

WJC/gm