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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/2007

SPONSOR HFL LAST UPDATED _____ HB 52/HFLS

SHORT TITLE School District Insurance of Vacant Buildings SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The House Floor Substitute for House Bill 52 allows school districts to choose not to insure vacant or abandoned buildings.

FISCAL IMPLICATIONS

The PED notes that in 2002, POMS & Associates estimated that there were approximately 143 vacant school buildings statewide with a total property value of \$43.4 million. Premiums vary in every region of the state and depend on the actual value of the building. Using a statewide average premium rate of .0062 would result in approximately \$269.2 of insurance premiums school districts would incur annually to insure these buildings. These only include buildings from the New Mexico Public Schools Insurance Authority members and do not include any vacant buildings for the Albuquerque Public Schools. PED also reports that POMS & Associates also estimates that there are currently 50 percent more vacant buildings today than there were in 2002.

SIGNIFICANT ISSUES

CS/52HFL provides that a public school district may chose not to inform the New Mexico Public School Insurance Authority (NMPSIA) in writing of a vacant or abandoned building in its possession or control. If this occurs or if NMPSIA, after reviewing a valuation of the abandoned buildings determines the annual cost of continuing insurance exceeds the value of the buildings,

the buildings need not be insured.

The bill specifically lists loss, damage by fire, windstorm, hail, smoke, explosion, riot or civil commotion as those events from which districts are not required to insure vacant building for.

School buildings of no significant value or those that pose a hazard to the community may be considered for demolition, although demolition costs can be very expensive especially if the building contains asbestos or other hazardous materials. Laws 2006, Chapter 95 added demolition of abandoned buildings as an allowable use of the capital outlay fund and allows the PSCOC to make allocation to school districts for this purpose. The bill anticipated that such costs would be defrayed by insurance premium savings accruing to the school district and provided that PSCOC may enter agreements with the school district to reimburse state funds with savings the districts realized as a result of lower insurance premiums.

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