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FISCAL IMPACT REPORT

SPONSOR HEC **ORIGINAL DATE** 2/9/2006
LAST UPDATED _____ **HB** 450/HECS
SHORT TITLE School Liability for After-Hours Use **SB** _____
ANALYST Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$266.0			Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

The House Education Committee substitute for House Bill 450 bill requires PSIA and Albuquerque Public Schools to assume the risk for liability coverage for authorized use of school facilities by the community. Coverage is limited to \$1 million combined single limit per occurrence. A general fund appropriation of \$266 thousand is made to the Public Education Department for the cost of this additional coverage.

Currently, schools may allow building use by outside groups and coverage is provided in one of two ways: (1) the school district is named as an additional insured on the user's policy or (2) limited additional premises liability insurance is provided through NMPSIA and billed to the user (called TULIP, for Tenant User Liability Insurance Policy). Examples of TULIP purchasers are private individuals requesting to use school buildings for wedding receptions.

Significant Issues

The significant issue is should the cost of insurance for the use of school buildings after hours be paid out of taxpayer money or should it be paid by the outside private users? In many small communities, the public school buildings are the only public buildings available for events.

FISCAL IMPLICATIONS

The bill contains an appropriation for \$266 thousand. According to PSIA, this should be enough to cover the cost of this coverage for all PSIA insured schools and APS. As this is a non-recurring appropriation, future costs of this coverage would be built into the public school support budget.

Historically, losses incurred for use of school premises by outside groups (and reimbursed by outside insurance carriers) have averaged \$100 thousand annually. Premiums paid for this coverage have been between \$50,000 to \$100,000 annually. It is difficult to accurately project the exact costs, as not all after-school use has been reported to PSIA by the districts and participation in the TULIP program has been low. There are a limited number of carriers interested in writing this coverage.

ADMINISTRATIVE IMPLICATIONS

The PSIA will need to use staff time and legal expenses to rewrite and republish the PSIA rules and regulations as well as to educate member entities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The existing TULIP program would be available and paid for by the user, but the potential liability for uninsured after school use will remain due to spotty compliance by schools in enforcing the requirement that outside users have insurance.

GG/nt