

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/10/2007

Bill/Resolution No.: HB 1322

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$250,000	\$0	\$250,000
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$125,000	\$125,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The limitation of contractor's ability to indemnify the State would require the State to incur costs to defend or settle claims and lawsuits arising from contractors providing services to the State; claims and lawsuits currently tendered to the insurance carriers of the contractors.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Even for claims arising out of the sole negligence of the contractor, the State will be required to pay to defend an action resulting from those claims.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Other funds - There is an estimated \$250,000 expenditures from the Risk Management Fund to pay damages claims and costs for legal counsel to represent the State in claims and lawsuits that would have been tendered to the contractor's insurance company had the State been indemnified and named an additional insured by the contractor's carrier. If the claims and lawsuits are defended by the Office of Attorney General, it is possible the work load increase will require hiring additional FTE.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

General Funds and Special Funds - Contributions to the Risk Management Fund is determined by an actuarial review. Because there was no limitation on contractor's ability to indemnify the state for the 2007-2009 biennial

review, this exposure was not considered when agency contributions were determined. If HB 1322 is enacted, the additional exposure for the Fund to pay damages and attorney fees will be factored into agency contributions for the '09-'11 biennium.

<b>Name:</b>	Jo Zschomler	<b>Agency:</b>	OMB - Risk Management
<b>Phone Number:</b>	328-7580	<b>Date Prepared:</b>	01/11/2007