Local Government Mandate Statement Kentucky Legislative Research Commission 2019 Regular Session

Part I: Measure Information

Bill Request #: 205			
Bill #: HB 57			
Document ID #: <u>570</u>)		
Bill Subject/Title:	AN ACT relating to co	ounty finance.	
Sponsor: Representa	ntive Robert S. Goforth	1	
Unit of Government:	City	X County	X Urban-County Unified Local
	X Charter County	X Consolidated Local	X Government
Office(s) Impacted:			
Requirement: X	Mandatory Op	tional	
Effect on Powers & Duties:	_ Modifies Existing	Adds New E	liminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 57 requires that if the Auditor of Public Accounts finds any errors, unsafe handling, or other improper practice of financial administration to have been committed by a county official; and, if the county does not already have liability insurance, that the county shall purchase a liability insurance policy covering potential future financial losses arising out of any act or omission by the county judge/executive or chief executive officer of the county; any magistrate, commissioner, or member of the legislative body of the county; or the county treasurer or similar officer acting in that capacity and including any staff member within that office.

Likewise, if the Auditor of Public Accounts finds any illegal acts related to financial administration, then the county shall purchase a commercial crime insurance policy or similar covering potential financial losses resulting from any future commission of a crime by a county officer.

Both the liability policy and the commercial crime policy shall be purchased immediately after notification of the findings, shall be for a term of four years or for a lesser term to be renewed for a total period of four years, shall be for a minimum coverage of \$1,000,000 per incident; and may include prior acts coverage.

HB 57 does not require a county to purchase a liability insurance policy with a retrospective policy date covering specific acts.

Commercial General Liability Insurance for cities or counties is generally rated using population count and budget figures. Public Official (Directors and Officers) Liability Insurance use those as well but would factor in the number of employees. If they buy liability insurance then Sovereign Immunity becomes moot.

Crime Insurance, also known as Employee Dishonesty Insurance, is rated by the number of employees and protection controls in place (such as division of duties, etc.). The following figures are provided as cost reference points:

The Master Crime policy that the Commonwealth of Kentucky purchases has a limit of \$100,000 with a \$10,000 deductible. The annual premium runs about \$40,000. A city or county with fewer employees would be less. For example, a city employing 300 workers and with an operating budget of \$34 million might have an errors and omission policy and a crime policy with the following limits and cost:

Commercial Crime Policy costing \$20,200 for 3 years of coverage with the following limits:

Employee Theft \$200K Each Occurrence Forgery \$100K Each Occurrence Theft \$200K Each Occurrence

The city might also have a Public Officials Policy with \$6 M Coverage and an \$87,000 annual premium.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as drafted and there are not any prior versions of the bill to complete the Part III section.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler Reviewer: KHC Date: 12/28/18