TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 183 - HB 1305

March 2, 2020

SUMMARY OF ORIGINAL BILL: Requires, on or before December 1, 2019, county governments to provide to the Comptroller of the Treasury (COT) information concerning whether the county has obtained either a blanket surety bond or an insurance policy.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005651): Deletes all language after the enacting clause. Authorizes certain counties to self-insure its risk of loss in lieu of obtaining surety bonds or insurance policies for individual county officials and county employees.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – The extent and timing of any decrease in local expenditures for self-insured counties opting to provide such coverage cannot reasonably be determined due to multiple unknown factors.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 8-19-101, counties are required to obtain and maintain blanket surety bond coverage or insurance policy coverage in minimum amounts to cover government crime coverage, employee dishonesty coverage, or equivalent coverage that insures the lawful performance by officials and their employees of their fiduciary duties and responsibilities.
- Pursuant to Tenn. Code Ann. § 8-19-111, a surety bond holds the individual being bonded liable for not faithfully discharging their duties, based on the required terms of the bond; however insurance companies are responsible for payment of claims.
- The proposed language would authorize counties which self-insure their liability for purposes of Government Tort Liability, to self-insure their risk of loss due to the failure of an official or an employee to lawfully perform their duties and responsibilities.
- The proposed language may result in a decrease in local expenditures for such counties opting to self-insure such coverage; however the precise decrease in local government expenditures cannot reasonably be determined due to multiple unknown variables such

as the extent of current surety bond or insurance premiums paid, the extent of employees or officials covered, and the extent of premium which will be paid by the self-insured county.

- Secondary fiscal impacts may arise as a result of such counties opting to self-insure any such officials and employees. In lieu of bonded officials or insurance companies being responsible for payment of losses due to the failure of officials or employees to perform their duties, the self-insured county will be responsible for such losses, resulting in an increase in local expenditures. The extent and timing of such secondary impacts cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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