

HB 2056 STAFF MEASURE SUMMARY

Carrier: Sen. Manning Jr

Senate Committee On Judiciary

Action Date: 05/01/23

Action: Do pass.

Vote: 3-2-0-0

Yeas: 3 - Gelser Blouin, Manning Jr, Prozanski

Nays: 2 - Linthicum, Thatcher

Fiscal: No fiscal impact

Revenue: No revenue impact

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Meeting Dates: 4/25, 5/1

WHAT THE MEASURE DOES:

Clarifies that contributions and reserves of self-insurance programs, established by multiple public bodies to insure against tort liability or property damage, are public entities' funds and can be used for benefit of programs' public bodies.

ISSUES DISCUSSED:

- In the 1980s, there was a public insurance crisis
- A 1985 law allowed intergovernmental agreements for insurance purposes; 36 types of districts (such as fire, water and irrigation districts) are members that provide self insurance
- Legal review of the current requirement that benefits "be used for the exclusive benefit of the program" concluded that money could not be shared between programs, for the benefit of the members
- Senate Rule 13.02
- ORS 171.134

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Minimum financial requirements for the creation and operation of public entity self-insured property and liability programs were established in 2005 at the request of the Special Districts Association of Oregon (SDAO) and Special Districts Insurance Services Trust (SDIS). These requirements are outlined in ORS 30.282.

ORS 30.282(6)(c) states that "Program contributions and reserves must be held in separate accounts and used for the exclusive benefit of the program." A recent legal review of ORS 30.282(6)(c) determined that the language is more restrictive than intended when the statute was adopted. A strict interpretation of the phrase "exclusive benefit of the program" will prevent SDIS and other self-insured public entity programs from returning surplus funds to members, keeping rates stable by diversifying risk, and utilizing surplus funds to start or strengthen other self-insurance programs.

House Bill 2056 clarifies that reserves are the public entities' funds and can be used for the benefit of the programs' public bodies.