

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 6** HLS 17RS 933
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 24, 2017 3:28 PM	Author: MCFARLAND
Dept./Agy.: Transportation and Development	Analyst: Alan M. Boxberger
Subject: Amends DOTD administrative rules re: property damage	

BONDS OR INCREASE SD EX See Note Page 1 of 1
 Amends the Department of Transportation and Development's administrative rules pertaining to property damage bonds

Proposed House Concurrent Resolution modifies administrative rules promulgated by DOTD relative to the requirement for property damage bonds. Proposed HCR provides for an exception for timber, logging and lumber companies allowing those companies to secure bonds or certificates of insurance for a lower amount than the minimum of \$100,000 for one trip, or \$250,000 for a year, than that required by present administrative rule. Proposed HCR directs the state register to print this amendment in the Louisiana Administrative Code.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed HCR will likely result in an indeterminable increase in state and local funds expenditures as state and local governments will be required to self-finance a larger share of infrastructure damages caused by trucks engaged in forestry activities, and may result in increased legal expenses for efforts to collect damages above lowered bond and insurance limits. In the case of the state, some portion of costs will be shifted from SGR expenditures to Statutory Dedications - Transportation Trust Fund. Proposed HCR does not result in a direct expenditure impact related to administration of the permitting process as liability bonds and certificates of insurance are purchased through an outside entity and verified by the permit office.

LAC 73:I.705 currently requires a liability bond or certificate of insurance in the amount of \$100,000 for one trip or \$250,000 for a year. Proposed HCR seeks to provide an exception for timber, logging and lumber companies to require a reduced minimum liability bond or certificate of insurance. Proposed HCR would reduce the liability bond to \$1,000 per trip or \$5,000 per year for unpaved roads, \$2,000 per trip or \$10,000 per year on paved roads, and \$3,000 per trip and \$15,000 per year on highways. The liability provisions for timber, logging and lumber transports in question will decrease from \$100,000 for one trip to between \$1,000 and \$3,000 depending on the type of road traversed. Likewise, liability provisions for annual transports will decrease from \$250,000 to between \$5,000 and \$15,000.

For illustrative purposes, from 2011-15 there were property damage claims of \$9.8 M statewide and a recovery of \$8.6 M during the same period. Lowering the liability bond or certificate of insurance will likely result in an increase in state and local funds expenditures to offset damages recovered against these instruments. The scope of this increase in unreimbursed cost is indeterminable as these expenses are not aggregated in a reportable manner. However, there were 89 crash data incidents that included officer coding denoting public property damage on an Interstate or US/LA Highway between 2011-15.

Proposed HCR requires the State Register to print the proposed amendments to LAC 73:i.705 and incorporate them into the Louisiana Administrative Code (LAC). The State Register will incur SGF costs related to printing and modifying amendments to the LAC. These costs are typically small for individual resolutions, in this case estimated at approximately \$150, and are typically absorbed within existing resources. However, cumulative legislatively directed amendments to the LAC in a given legislative session may necessitate that increased budget resources be provided.

REVENUE EXPLANATION

Proposed HCR is likely to result in a decrease in SGR revenues associated with lowered bond and insurance collections as a result of lowered liability thresholds required for timber, logging and lumber companies. DOTD is unable to report specific impacts to total revenues as existing liability bonds and certificate of insurance requirements do not differentiate between specific commodities being transported, therefore forestry specific data is unavailable. Based on historical crash data and damage recoveries (see expenditure explanation above), the number of coded, damaging events is estimated to be less than 20 and recovered claims damages average less than \$2 M annually.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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