
**Financial Institutions &
Insurance Committee**

HB 3042

Brief Description: Authorizing certain entities to participate in self-insurance risk pools.

Sponsors: Representatives Santos, Cairnes, Roach, Sullivan, Wallace, Ormsby, Simpson, D., Chase, Benson, Carrell, Newhouse, Simpson, G., Cooper, Schual-Berke, Hatfield, Kagi and Upthegrove.

Brief Summary of Bill

- Authorizes adult family homes to individually or jointly self-insure, jointly purchase insurance or reinsurance with local government entities and/or other nonprofit corporations, and participate in state contracts, including contracts for insurance, through the Office of State Procurement.

Hearing Date: 2/3/04

Staff: Carrie Tellefson (786-7127).

Background:

"Adult family home" means a residential home in which a person or persons provide personal care, special care, room, and board to more than one but not more than six adults who are not related by blood or marriage to the person or persons providing the services. Adult family homes may not operate without a license.

Self-insurance by local governments

Local government entities have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. In addition, subject to specified conditions, local government entities may enter into joint self-insurance programs with similar entities from other states.

The Risk Manager (Risk Manager) within the Office of Financial Management (OFM) is responsible for the regulation of such self-insurance activities and may adopt rules governing their operation. Local government entities must obtain prior approval from the Risk Manager before establishing a joint self-insurance program covering property and liability risks involving two or more covered entities. Such prior approval is not required for the creation of an individual self-insurance program. However, entities that establish individual self-insurance programs must notify the Risk Manager of the existence of the program and comply with the regulatory and

statutory standards governing the operation of such programs. In addition, self-insurance programs must file annual reports with the Risk Manager and the State Auditor containing specified information regarding their operation.

The Interlocal Cooperation Act

The Interlocal Cooperation Act (Act) authorizes governments, including political subdivisions, municipal corporations, quasi municipal corporations, special purpose districts, and local service districts, state agencies, federal agencies, federally recognized Indian tribes, and any political subdivision of another state to join together in contracting and purchasing in order to make the most efficient use of their powers and resources.

In order to do so, the entities must take appropriate action by ordinance, resolution or otherwise and must enter into an agreement, which sets for the purpose of the agreement, its duration, its administration, organization, budgeting, whether a separate legal entity has been created, the manner of acquiring, holding and disposing of real and personal property, and other matters.

The Office of State Procurement within the Department of General Administration may enter into an agreement with a public benefit nonprofit corporation to allow it to participate in state contracts for purchases administered by the Office of State Procurement. A public benefit nonprofit corporation is a nonprofit corporation that is receiving local, state, or federal funds either directly or through a public agency other than an Indian tribe or a political subdivision of another state.

The state Constitution provides that the credit of the state shall not, in any manner be given or loaned to, or in aid of, any individual, association, company or corporation. It further provides that no county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

Summary of Bill:

Adult family homes are granted the same authority to self-insure as are local government entities and are empowered to create joint self-insurance arrangements with such entities. Specifically, adult family homes are authorized to individually or jointly self-insure, or jointly purchase insurance or reinsurance, with local government entities and/or other adult family homes. However, local government entities and adult family homes may not participate in any activity that violates Article VIII, section 5 or 7, of the State Constitution.

Adult family homes may enter into an agreement with the Office of State Procurement to allow the adult family home to participate in state contracts, including contracts for insurance.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Requested on February 1, 2004.