1	SENATE BILL 687
2	42ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 1996
3	INTRODUCED BY
4	MANNY M ARAGON
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10	AN ACT
11	RELATING TO STATE FUNDS; CREATING THE RISK RESERVE IN THE
12	GENERAL FUND; PROVIDING FOR TRANSFERS INTO AND EXPENDITURES FROM
13	THE RISK RESERVE UNDER CERTAIN CIRCUMSTANCES; DECLARING AN
14	EMERGENCY.
15	
16	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:
17	Section 1. [<u>NEW MATERIAL]</u> RISK RESERVE CREATED IN THE
18	GENERAL FUND
19	A. The "risk reserve" is created in the general
20	fund. The risk reserve shall consist of all money transferred
21	to the risk reserve pursuant to Sections 10-2-16, 13-5-1,
22	15-7-6, 41-4-23, 51-1-45 and 51-1-46 NMSA 1978. A separate
23	account within the risk reserve shall be kept for each source of
24	the transfers into the risk reserve. Interest earned on the
25	risk reserve shall be credited to the risk reserve.

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B. The risk reserve may be expended only upon specific authorization by the legislature in an amount authorized by the legislature for the following purposes, as designated in the legislative authorization:

(1) in the event general fund balances, including all authorized revenues and transfers to the general fund and balances in the general fund operating reserve, but excluding balances in the risk reserve, are insufficient to meet the level of appropriations authorized from the general fund, then necessary amounts from the risk reserve may be authorized for transfer to the general fund for use in meeting those appropriations; or

(2) in the event any balance in the state government unemployment compensation reserve fund, the local public body unemployment compensation reserve fund, the public property reserve fund, the public liability fund, the surety bond fund or the workers' compensation retention fund is insufficient to meet the expenditures required by law to be made from each fund, then the necessary amount may be authorized for transfer from the appropriate account in the risk reserve to the appropriate fund.

Section 2. Section 10-2-16 NMSA 1978 (being Laws 1978, Chapter 132, Section 4, as amended) is amended to read:

- 2 -

"10-2-16. SURETY BOND FUND. --

A. There is created in the state treasury a "surety

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B. Money deposited in the surety bond fund may be
a expended by the department:

(1)

5 [(2) to create a retention fund to cover all or
6 any portion of the surety bond risks of state agencies and
7 covered educational entities;

to provide surety bond coverage;

(3)] (2) to pay claims of state agencies and covered educational entities covered by a surety bond certificate of coverage issued by the department; and

[(4)] (3) to pay any costs and expenses of
carrying out the provisions of this section.

C. Claims against the surety bond fund shall be made in accordance with a certificate of coverage issued by the department to each state agency and covered educational entity. If the secretary has reason to believe that the surety bond fund, <u>including any transfers to the surety bond fund from the</u> <u>risk reserve</u>, would be exhausted by the payment of all claims allowed against the fund during a particular state fiscal year, the amounts paid for each claim shall be prorated with each state agency and covered educational entity receiving an amount equal to the percentage that its claims bear to the total of claims outstanding and payable from the fund. Any amounts due and unpaid as a result of such proration shall be paid in the following fiscal years.

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D. The department shall collect or transfer funds from each state agency and covered educational entity to cover 2 costs of coverage of employees of the agency as required by this 3 section. Money collected or transferred from a state agency or 4 covered educational entity pursuant to this subsection shall be 5 6 deposited in the surety bond fund. The department may provide individual surety bond Е. 7 coverage protecting employees who are employers or supervisors 8 9

from personal losses for which they may be responsible, which losses were caused by the lack of honesty or faithful performance of employees under their supervision or control.

F. The department shall have the right to recover from a public employee for any loss under the Surety Bond Act for which the public employee was responsible.

> G. The risk management advisory board shall review:

specifications for all surety bond coverage (1) to be purchased by the department;

(2)the form and legal sufficiency of any surety bond coverage to be purchased by the department; and

the form, purpose and content of any surety (3) bond certificate of coverage to be issued by the director.

Before the beginning of each fiscal year, the H. risk management advisory board shall calculate the current cash balance in the surety bond fund, all revenue projected to be deposited into the fund during the next fiscal year and all

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expenditures projected to be made from the fund during the next
 fiscal year. All projected excess cash balances shall be
 transferred to the risk reserve. Excess cash balances shall be
 calculated as the current cash balance plus projected revenue
 minus projected expenditures. "

Section 3. Section 13-5-1 NMSA 1978 (being Laws 1981, Chapter 101, Section 1, as amended) is amended to read: "13-5-1. STATE AGENCY PUBLIC PROPERTY--INSURANCE--RESERVES

FOR LOSSES OF STATE AGENCIES--PUBLIC PROPERTY RESERVE FUND CREATED.--

A. The risk management division of the general services department shall purchase a blanket insurance policy for public buildings of state agencies against loss or damage by fire, windstorm, hail, smoke, explosion, riot or civil commotion. The risk management division may provide coverage to covered educational entities under the public property reserve fund through blanket or individual policies. [The risk management division shall create a reserve for the uninsured value of any such public building and for the uninsured loss or damage to any such building by flood, subject to any deductible which the risk management advisory board determines shall be borne by individual state agencies or covered educational entities.]

B. Subject to any deductible to be borne by individual state agencies or covered educational entities, the

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purchase insurance [establish reserves or provide a combination 2 of insurance and reserves] to: 3 cover, in any amount not to exceed (1) 4 replacement cost, buildings of state agencies or covered 5 6 educational entities destroyed or damaged by any peril other 7 than a peril set forth in Subsection A of this section; cover, in any amount not to exceed 8 (2)9 replacement cost, any personal property [which] that is 10 destroyed or damaged by any peril; or 11 (3) cover, in any amount not to exceed 12 replacement cost, any personal property which is stolen. 13 С. Any insurance purchased pursuant to Subsections A 14 and B of this section may be purchased with such deductible 15 provisions as may be deemed desirable by the risk management 16 advisory board. 17 The director of the risk management division of D. 18 the general services department shall include in his annual 19 report to the legislature an inventory of all public buildings 20 insured by the division, the estimated total value of such 21 buildings, the total insured value of such buildings and the amount of any deductible or maximum loss provisions in the 22 23 current insurance policy covering such buildings.

risk management division of the general services department may

E. There is created in the state treasury the "public property reserve fund". The fund shall consist of

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assessments of state agencies and covered educational entities deposited in the fund, money appropriated to the fund and money received as proceeds of insurance purchased pursuant to this 3 section. The fund may be used to:

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(1) purchase property insurance;

(2)pay any claim covered by a certificate of coverage issued by the director of the risk management division of the general services department; provided such claims shall only be paid to the extent of actual expenses [which] that have been or will be incurred to repair, reconstruct and replace covered property;

pay the cost of repair, reconstruction and (3) replacement of property and expense incidental thereto arising from damage or destruction covered pursuant to this section;

enter into such consulting and other (4) contracts as may be necessary or desirable in carrying out the provisions of this section; and

pay any costs and expenses incurred in (5) carrying out the provisions of this section.

F. The director of the legislative council service may elect to cover all or any part of any public buildings or property under his jurisdiction through the public property reserve fund by giving written notice of such election to the director of the risk management division of the general services department and paying assessments [which] that the director of

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1 the risk management division prescribes.

For purposes of this section, "state agency" G. means the state or any of its branches, agencies, departments, 3 boards. instrumentalities or institutions. 4

For the purposes of this section, "covered H. educational entities" means school districts as defined in Section 22-1-2 NMSA 1978 and educational institutions established pursuant to Chapter 21, Articles 13, 16 and 17 NMSA 1978 [which] that request and are granted coverage from the risk management division of the general services department, if the coverage is commercially unavailable; except that coverage shall be provided to a school district only through the public school [group] insurance authority or its successor unless the district has been granted a waiver by the authority or the authority is not offering the coverage for the fiscal year for which the division offers its coverage. A local school district to which the division may provide coverage may provide for marketing and servicing to be done by licensed insurance agents who shall receive reasonable compensation for their services.

[I. The provisions of this section are effective July 1, 1990.]

I. Before the beginning of each fiscal year, the risk management advisory board shall calculate the current cash balance in the public property reserve fund, all revenue projected to be deposited into the fund during the next fiscal

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1 year and all expenditures projected to be made from the fund during the next fiscal year. All projected excess cash balances 2 shall be transferred to the risk reserve. Excess cash balances 3 shall be calculated as the current cash balance plus projected 4 revenue minus projected expenditures." 5 6 Section 4. Section 15-7-6 NMSA 1978 (being Laws 1977, Chapter 385, Section 9, as amended) is amended to read: 7 "15-7-6. WORKERS' COMPENSATION RETENTION FUND. --8 9 A. There is created in the state treasury the "workers' compensation retention fund". 10 Money deposited in or appropriated to the 11 **B**. 12 workers' compensation retention fund may be used by the director 13 to: 14 purchase workers' compensation insurance; (1) [(2) establish appropriate reserves to provide 15 16 workers' compensation coverage for employees of state agencies or employees of covered educational entities; 17 18 (3)] (2) pay workers' compensation claims in 19 accordance with the Workers' Compensation Act; 20 $\left[\frac{(4)}{(3)}\right]$ enter into consulting and other 21 contracts as may be necessary or desirable in carrying out the provisions of this section; and 22 23 $\left[\frac{(5)}{(4)}\right]$ pay any costs or expenses incurred in carrying out the provisions of this section. 24 25 For the purposes of this section, "covered С.

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1 educational entities" means school districts as defined in Section 22-1-2 NMSA 1978 and educational institutions 2 established pursuant to Chapter 21, Articles 13, 16 and 17 NMSA 3 1978 [which] that request and are granted coverage from the risk 4 management division of the general services department, if the 5 coverage is commercially unavailable; except that coverage shall 6 7 be provided to a school district only through the public school [group] insurance authority or its successor unless the district 8 9 has been granted a waiver by the authority or the authority is 10 not offering the coverage for the fiscal year for which the 11 division offers its coverage. A local school district to which 12 the division may provide coverage may provide for marketing and 13 servicing to be done by licensed insurance agents who shall 14 receive reasonable compensation for their services.

D. Before the beginning of each fiscal year, the risk management advisory board shall calculate the current cash balance in the workers' compensation retention fund, all revenue projected to be deposited into the fund during the next fiscal year and all expenditures projected to be made from the fund during the next fiscal year. All projected excess cash balances shall be transferred to the risk reserve. Excess cash balances shall be calculated as the current cash balance plus projected revenue minus projected expenditures."

Section 5. Section 41-4-23 NMSA 1978 (being Laws 1977, Chapter 386, Section 17, as amended) is amended to read:

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"41-4-23. PUBLIC LIABILITY FUND CREATED -- PURPOSES. --

There is created the "public liability fund". A. The fund and any income from the fund shall be held in trust, deposited in a segregated account and invested by the general services department with the prior approval of the state board of finance.

Money deposited in the public liability fund may **B**. 7 be expended by the risk management division of the general 8 9 <u>services department</u>:

to purchase tort liability insurance for (1) state agencies and their employees and for any local public body 12 participating in the public liability fund and its employees;

to contract with one or more consulting or (2)claims adjusting firms pursuant to the provisions of Section 41-4-24 NMSA 1978;

to defend, save harmless and indemnify any (3) state agency or employee of a state agency or a local public body or an employee of such local public body for any claim or liability covered by a valid and current certificate of coverage to the limits of such certificate of coverage;

(4) to pay claims and judgments covered by a certificate of coverage;

(5) to contract with one or more attorneys or law firms on a per-hour basis, or with the attorney general, to defend tort liability claims against governmental entities and

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public employees acting within the scope of their duties;

to pay any costs and expenses incurred in (6) carrying out the provisions of this section;

[(7) to create a retention fund for any risk covered by a certificate of coverage;

(8) to cover personal injury liability risks of governmental entities, including the risks set forth in Paragraph (2) of Subsection B and Paragraph (2) of Subsection D 8 of Section 41-4-4 NMSA 1978, to the extent and to the limits of any certificate of coverage;

(9)] (7) to insure or provide certificates of 12 coverage to school bus contractors and their employees, 13 notwithstanding Subsection [E] F of Section 41-4-3 NMSA 1978, for any comparable risk for which immunity has been waived for public employees pursuant to Section 41-4-5 NMSA 1978, if the coverage is commercially unavailable; except that coverage for exposure created by Sections 41-4-9, 41-4-10 and 41-4-12 NMSA 18 1978 shall be provided to its member public school districts and 19 participating other educational entities of the public school insurance authority, by the authority, and except that coverage shall be provided to a contractor and his employees only through the public school [group] insurance authority or its successor, 23 unless the district to which the contractor provides services has been granted a waiver by the authority or the authority is not offering the coverage for the fiscal year for which the

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division offers its coverage. A local school district to which the division may provide coverage may provide for marketing and servicing to be done by licensed insurance agents who shall receive reasonable compensation for their services; and

[(10)] (8) to insure or provide certificates of coverage for any ancillary coverage typically found in commercially available liability policies provided to governmental entities, if the coverage is commercially unavailable.

C. No settlement of any claim covered by the public liability fund in excess of five thousand dollars (\$5,000) shall be made unless the settlement has first been approved in writing by the director of the risk management division <u>of the general</u> <u>services department</u>. This subsection shall not be construed to limit the authority of an insurance carrier, covering any liability under the Tort Claims Act, to compromise, adjust and settle claims against governmental entities or their public employees.

D. Claims against the <u>public liability</u> fund shall be made in accordance with rules or regulations of the director of the risk management division <u>of the general services department</u>. If the director of the risk management division has reason to believe that the fund, <u>including any transfers to the fund from</u> <u>the risk reserve</u>, would be exhausted by payment of all claims allowed during a particular state fiscal year, pursuant to

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regulations of the risk management division, the amounts paid to each claimant and other parties obtaining judgments shall be prorated, with each party receiving an amount equal to the percentage his own payment bears to the total of claims or judgments outstanding and payable from the fund. Any amounts due and unpaid as a result of such proration shall be paid in the following fiscal years.

E. Before the beginning of each fiscal year, the 8 9 risk management advisory board shall calculate the current cash 10 balance in the public liability fund, all revenue projected to be deposited into the fund during the next fiscal year and all 11 12 expenditures projected to be made from the fund during the next 13 fiscal year. All projected excess cash balances shall be transferred to the risk reserve. Excess cash balances shall be 14 calculated as the current cash balance plus projected revenue 15 16 minus projected expenditures."

Section 6. Section 51-1-45 NMSA 1978 (being Laws 1977, Chapter 227, Section 7, as amended) is amended to read:

"51-1-45. STATE GOVERNMENT UNEMPLOYMENT COMPENSATION RESERVE FUND CREATED--PURPOSES--ASSESSMENTS.--

A. There is created a "state government unemployment compensation reserve fund". The fund and any income from the fund shall be held in trust, deposited in a segregated account and invested by the director of the risk management division <u>of</u> <u>the general services department</u> with the prior approval of the

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state board of finance. Money in the fund is hereby appropriated to carry out the purposes of the fund.

The director of the risk management division of B. the general services department shall assess each state agency at the end of each calendar quarter in accordance with the rate 5 schedule prescribed by the risk management division plus an additional amount to pay reasonable costs of administration of Assessments shall be deposited in the state 8 the fund. government unemployment compensation reserve fund to carry out 10 the purposes of Laws 1977, Chapter 227, as amended. The director of the risk management division shall approve the 12 method of computing the amounts that are payable under this 13 subsection by each state agency and the time and manner of 14 payments.

C. Money deposited in the state government unemployment compensation reserve fund may be used by the director of the risk management division of the general services <u>department</u> to:

(1) pay the department for benefits paid to employees of state agencies;

pay any costs or expenses incurred in (2)protesting benefits paid by the department; and

pay any other costs incurred in carrying (3)out the provisions of this section [and

(4) establish and maintain a reserve fund for

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paying reimbursements of benefits paid to employees of state
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D. Before the beginning of each fiscal year, the 3 risk management advisory board shall calculate the current cash 4 balance in the state government unemployment compensation 5 6 reserve fund, all revenue projected to be deposited into the fund during the next fiscal year and all expenditures projected 7 to be made from the fund during the next fiscal year. All 8 9 projected excess cash balances shall be transferred to the risk 10 reserve. Excess cash balances shall be calculated as the 11 current cash balance plus projected revenue minus projected 12 expendi tures. "

Section 7. Section 51-1-46 NMSA 1978 (being Laws 1977, Chapter 227, Section 8, as amended) is amended to read: "51-1-46. LOCAL PUBLIC BODY UNEMPLOYMENT COMPENSATION

RESERVE FUND CREATED- - PURPOSES- - ASSESSMENTS. - -

A. There is created the "local public body unemployment compensation reserve fund". The fund and any income from the fund shall be held in trust, deposited in a segregated account and invested by the general services department with the prior approval of the state board of finance. Money in the fund is hereby appropriated to carry out the purposes of the fund.

B. Any local public body of this state may participate in the local public body unemployment compensation

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1 reserve fund by:

giving notice to the director of the risk 2 (1) management division of the general services department at least 3 ninety days prior to the date participation is to begin; and 4 agreeing to pay at the end of each calendar 5 (2)6 quarter an amount determined pursuant to the rate schedule prescribed by the risk management division plus such additional 7 amount as may be necessary to pay reasonable costs of 8 9 admi ni strati on. 10 С. The director of the risk management division of 11 the general services department shall terminate the 12 participation of any local public body in the local public body 13 unemployment compensation reserve fund if the local public body 14 fails to: 15 (1) pay any assessment made by the risk 16 management division within thirty days after the date of 17 assessment; or 18 (2) comply with regulations of the risk 19 management division. Money deposited in the local public body 20 D. unemployment compensation reserve fund may be used by the 21 22 director of the risk management division of the general services 23 department to: reimburse the department for benefits paid 24 (1) to public employees covered under the local public body 25 . 111049. 1

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1 unemployment compensation reserve fund during the previous calendar quarter; 2 (2) pay any costs or expenses incurred in 3 protesting benefits paid by the department; and 4 (3) pay any costs and expenses incurred in 5 carrying out the provisions of this section [and 6 (4) establish and maintain a reserve fund for 7 paying reimbursements of benefits paid to employees of local 8 9 public bodies]. 10 E. Before the beginning of each fiscal year, the 11 risk management advisory board shall calculate the current cash 12 balance in the public body unemployment compensation reserve 13 fund, all revenue projected to be deposited into the fund during 14 the next fiscal year and all expenditures projected to be made from the fund during the next fiscal year. All projected excess 15 16 cash balances shall be transferred to the risk reserve. Excess 17 cash balances shall be calculated as the current cash balance plus projected revenue minus projected expenditures." 18 19 Section 8. EMERGENCY. -- It is necessary for the public peace, health and safety that this act take effect immediately. 20 - 18 -21 22 23 24 25

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		1	FORTY- SECOND LEGISLATURE
		2	SECOND SESSION, 1996
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		5	JANUARY 31, 1996
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		7	Mr. President:
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		9	Your COMMITTEES' COMMITTEE , to whom has been referred
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		11	SENATE BILL 687
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		13	has had it under consideration and finds same to be GERMANE , PURSUANT
			TO CONSTITUTIONAL PROVISIONS, and thence referred to the FINANCE
		15	COMMITTEE.
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2	elete	17	Respectfully submitted,
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	5	February 14, 1996				
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	7	Mr. Presi dent:				
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	9	Your FINANCE COMMITTEE , to whom has been referred				
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	12	has had it under consideration and reports same with recommendation that				
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	14	it DO PASS.				
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A	16 17	Respectfully submitted,				
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     The roll call vote was <u>8</u> For <u>0</u> Against
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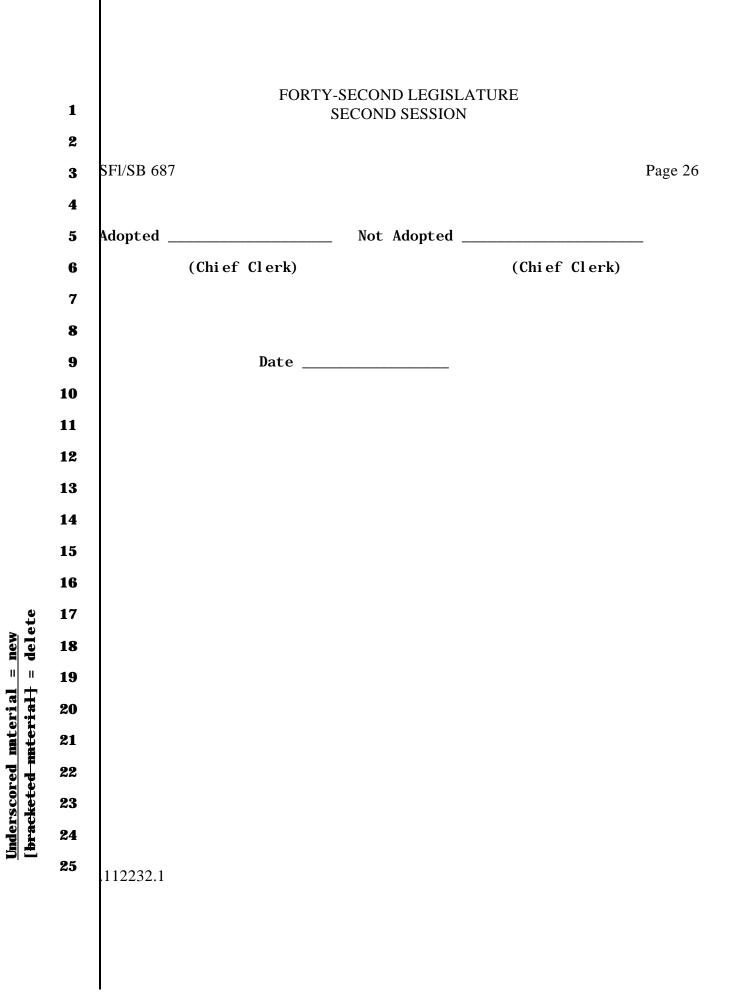
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5	February 14, 1996
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8	SENATE FLOOR AMENDMENT number to SENATE BILL 687
9	
	Amendment sponsored by Senator Manny M. Aragon
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12	1. On page 1, line 13, after the semicolon insert "MAKING AN
	APPROPRIATION; ".
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15	2. On page 1, line 22, after "41-4-23" strike the comma and insert
16	"and" and strike "and 51-1-46".
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18	3. On page 2, between lines 21 and 22, insert the following
	subsection:
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21	"C. Upon the transfer of any amount pursuant to Paragraph (1)
22	of Subsection B of this section, the secretary of finance and
	administration shall determine, on an agency-by-agency basis, how much
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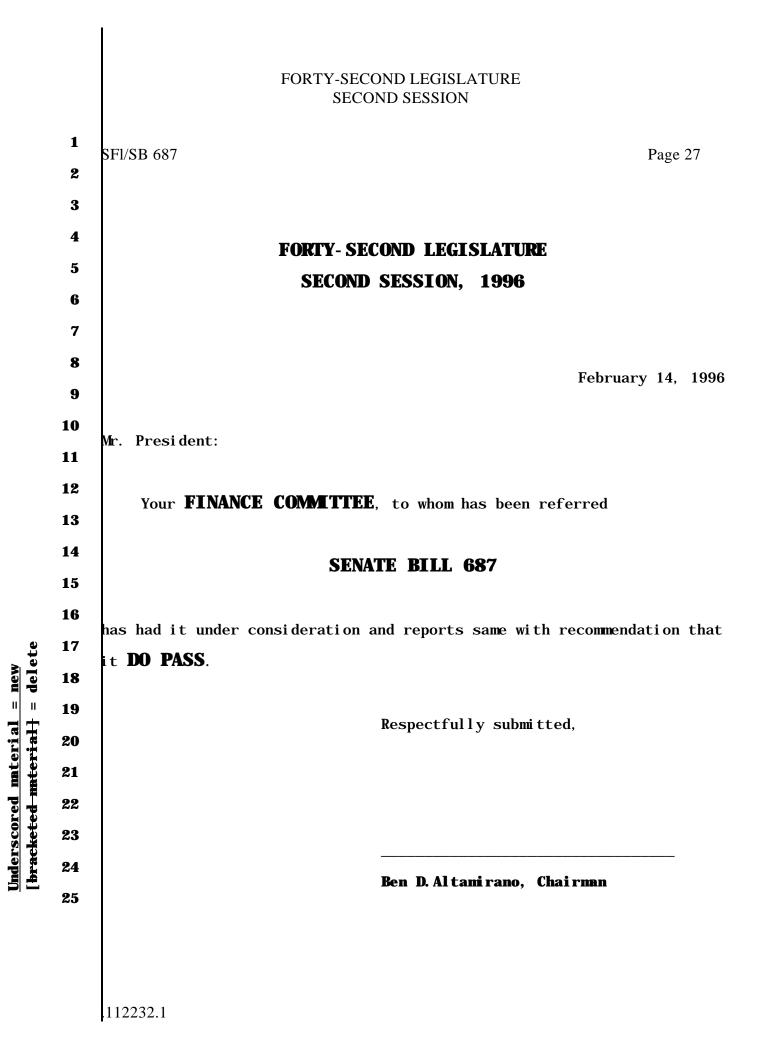
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3	SFI/SB 687 Page 24			
4	of the transferred amount was derived from federal funds. Upon the			
5	determination, the secretary shall negotiate a settlement with the			
6	federal government concerning any reimbursement that may be owed by the			
7	state. After reporting to the legislative finance committee on the			
8	results of the negotiations, the secretary is authorized to expend such			
9	amount from the risk reserve as may be necessary to reimburse, or			
10	otherwise compensate, the federal government. Such amount is			
11	appropri ated. ".			
12				
13	4. On page 4, line 6, after the period insert "Income from the			
14	surety bond fund shall be credited to the fund.".			
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16	5. On page 5, line 2, strike "All" and insert in lieu thereof			
17	"Ninety percent of all".			
18				
19	6. On page 7, line 2, after "to the fund" insert ", income earned			
20	by the fund".			
21				
22	7. On page 9, line 2, strike "All" and insert in lieu thereof			
23	"Ninety percent of all".			
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	1	FORTY-SECOND LEGISLATURE SECOND SESSION
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	3	SFI/SB 687 Page 25
	4	8. On page 9, line 11, after "in" insert ", earned by".
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	6	9. On page 10, line 20, strike "All" and insert in lieu thereof
	7	"Ninety percent of all".
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	9	10. On page 14, line 13, strike "All" and insert in lieu thereof
	10	"Ninety percent of all".
	11	
	12	11. On page 16, line 8, strike "All" and insert in lieu thereof
	13	"Ninety percent of all".
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	15	12. On pages 16 through 18, strike Section 7 in its entirety.
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<u>ew</u> el ete	17	13. Renumber the succeeding sections accordingly.
new del (18	
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mate mate	21	
<u> Underscored mterial</u> [bracketed mterial]	22	
<u>irsc</u>	23	Manny M. Aragon
<u>Unde</u> [bra	24	
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SFI/SB 687			Page
Adopted	Not Adopted		
(Chief Clerk)		(Chief Clerk)	
Date		_	
The roll call vote was <u>8</u> Kes: 8	For <u>0</u> Against		
No: 0			
Excused: Donisthorpe, Dura	an, Ingle, Kidd, Kysa	r	
Absent: None			
50687FC1			

Underscored mterial = new
[bracketed mterial] = delete