

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 24, 2003

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB123 by Burnam (Relating to specialized training for certain insurance adjusters.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB123, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Probable Savings/(Cost) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Change in Number of State Employees from FY 2003
2004	\$258,959	(\$258,959)	2.5
2005	\$168,854	(\$162,834)	2.5
2006	\$153,264	(\$153,264)	2.5
2007	\$159,284	(\$153,264)	2.5
2008	\$153,264	(\$153,264)	2.5

Fiscal Analysis

The bill would prohibit an adjuster from adjusting a claim for water or mold damage without first obtaining an annually renewable certification from the Texas Department of Insurance.

Methodology

The Texas Department of Insurance anticipates the need for an additional two FTEs (Insurance Specialist I) in FY 2004, costing \$51,264, to process an estimated 37,495 certification applications that would result from implementation of the bill. These FTEs would not be needed after the initial applications were processed because the expanded adjusters license including mold and water damage

would replace the earlier adjuster's license. The agency also anticipates a cost of \$141,735 in FY 2004 for criminal background checks related to the applications.

The agency expects 37,495 licensed adjusters would attempt to qualify for water and mold certification as a part of the new application process. At an anticipated \$50 per application, the fee would generate a revenue gain of \$1,874,750 in FY 2004 to the Texas Department of Insurance Operating Account.

To promote revenue collection efficiency, the agency indicates that the current application fee of \$50 will be charged. As a result, maintenance taxes and fees will be reduced by \$1,615,791 in FY 2004 for the total difference of \$1,874,750 in application fees collections and \$258,959 in total costs.

Continuing education providers requesting authorization to give mold and water damage training would result in a \$6,020 revenue gain to the Texas Department of Insurance Operating Account in FY 2004, FY 2005, and FY 2007 for initial approval and subsequent renewal. The bill would require one-half FTE (Attorney IV) to address various legal issues, assist in the development of rules for training adjusters who handle claims involving water or mold damage, and to set up an advisory committee if necessary. The bill would require two FTEs (Attorney III) in FY 2005-08 to handle disciplinary actions against adjusters who violate the certification requirement. The total cost for all attorneys would be \$38,585 in FY 2004, \$162,834 in FY 2005, and \$153,264 in FY 2006-08.

Any additional revenue would first be deposited into General Revenue and then transferred to the Texas Department of Insurance Operating Account by the Comptroller of Public Accounts.

Technology

The bill would require \$5,346 in FY 2004 and \$3,564 in FY 2005 for the purchase of computers and software for additional staff.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department Of Insurance

LBB Staff: JK, JRO, RT, RB