

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 6, 2003

TO: Honorable Kino Flores, Chair, House Committee on Licensing & Administrative Procedures

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB597 by Duncan (relating to the regulation of certain companies that provide for-profit legal service contracts; providing penalties.), **Committee Report 2nd House, As Amended**

Estimated Two-year Net Impact to General Revenue Related Funds for SB597, Committee Report 2nd House, As Amended: 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>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings/ (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue Gain/(Loss) from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36	Probable Savings/ (Cost) from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36
2004	(\$63,188)	\$63,188	(\$6,597)	\$6,597
2005	(\$54,338)	\$54,338	(\$6,597)	\$6,597
2006	(\$54,338)	\$54,338	(\$6,597)	\$6,597
2007	(\$54,338)	\$54,338	(\$6,597)	\$6,597
2008	(\$54,338)	\$54,338	(\$6,597)	\$6,597

Fiscal Year	Change in Number of State Employees from FY 2003
2004	1.5
2005	1.5
2006	1.5
2007	1.5
2008	1.5

Fiscal Analysis

The bill would transfer regulation of companies that provide for-profit legal service contracts from the Department of Insurance (TDI) to the Department of Licensing and Regulation (TDLR). It would exempt the transaction of certain for-profit prepaid legal service contracts from the Insurance Code and other laws of the state regarding the business of insurance. The bill would require TDI and TDLR to enter into a memorandum of understanding for a transition plan to transfer this registration program.

Methodology

The Department of Insurance (TDI) indicates the transfer would reduce its number of licensees by 1,250. Because the agency contracts with an outside vendor for examination and processing of these licensees, with exam fees being paid directly to the vendor, the agency would not see a reduction in full time equivalent positions. However, the agency would see a reduction in the number of criminal background checks it is required to perform. This reduction would save TDI \$6,597 each fiscal year. The agency anticipates a \$271,680 loss to General Revenue Dedicated Fund 36 because of a reduction in fee revenue. It is assumed any revenue loss from fees collected that is not matched by a corresponding savings to TDI would be offset by an increase in the Insurance Maintenance Tax.

The Department of Licensing and Regulation (TDLR) would need 1.5 additional FTEs to administer the program. Of this, 0.75 FTE for an Administrative Technician III (\$25,932 annual salary) would be needed for application processing, and 0.25 FTE for an Administrative Technician III (\$25,932 annual salary) would be needed for customer service. Also, 0.5 Administrative Technician IV (\$29,232 annual salary) would be needed to review financial security requirements during the initial application process and at registration renewal, and to review registrants' business records to ensure compliance. TDLR's total cost associated with these FTEs would be \$63,188 in fiscal year 2004 and \$54,338 in each ensuing fiscal year.

It is assumed TDLR would adjust fees to offset any costs associated with implementing the provisions of the bill.

Technology

The Texas Department of Licensing and Regulation would require \$3,450 in fiscal year 2004 for computer equipment for new employees.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 452 Department of Licensing and Regulation, 454 Department of Insurance

LBB Staff: JK, JRO, RR, RT, RB