

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 16, 2003

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1605 by Ellis, Rodney (relating to a revenue bond program and procedures for certain residential property insurance.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1605, Committee Report 1st House, Substituted: 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>BOND PROCEEDS- REV BONDS</i> 781	Probable Savings/ (Cost) from <i>BOND PROCEEDS- REV BONDS</i> 781	Probable Revenue Gain/(Loss) from <i>Surcharge Fee</i>	Probable Savings/ (Cost) from <i>Surcharge Fee - Debt Service on Revenue Bonds</i>
2004	\$75,000,000	(\$75,000,000)	\$9,957,375	(\$9,957,375)
2005	\$0	\$0	\$10,862,958	(\$10,862,958)
2006	\$0	\$0	\$10,862,473	(\$10,862,473)
2007	\$0	\$0	\$10,862,610	(\$10,862,610)
2008	\$0	\$0	\$10,863,123	(\$10,863,123)

Fiscal Analysis

The bill amends Chapter 21 of the Insurance Code to allow the Texas Public Finance Authority to issue up to \$75 million of revenue bonds on behalf of the Fair Access to Insurance Requirements (FAIR) Plan Association for it to provide residential property insurance in underserved areas. In addition, the bill establishes a surcharge fee which will be assessed against the association and any insurer writing property insurance in the state to pay all debt service on these bonds.

The bill limits the term of the bonds to ten years and provides that these bonds are not obligations of the state.

Methodology

The Department of Insurance and the Comptroller's Office will incur administrative costs related to establishing, assessing and collecting the surcharge from property insurance companies. It is anticipated that the Department of Insurance can absorb any additional costs within existing resources. The Comptroller will incur some one-time programming costs (estimated to be \$61,442) related to assessing and collecting the new surcharge. However, for the purposes of this bill, it is assumed that these costs can be absorbed within existing resources. The bill requires that the Department of Insurance reimburse the General Revenue Fund out of the Department of Insurance Operating Fund No. 036 for any costs incurred by the Comptroller in collecting the new surcharge. (See the Fiscal Impact table.)

Assuming 6.0 percent interest rate, a 10-year term on the bonds, and an issuance date of August 31, 2004, the biennial debt service costs for these revenue bonds is estimated to be \$20.8 million. All debt service costs would be paid for out of the new surcharge fee specifically established to pay off these bonds as indicated in the Fiscal Impact table.

For purposes of this analysis, it is assumed that all of the bonds would be issued on September 1, 2003, and that these funds would be deposited into an account established by the Texas Treasury Safe Keeping Company on behalf of the Fair Access to Insurance Requirements (FAIR) Plan Association.

Because the bill would not authorize insurers to pass the service charge directly through to policy holders, there could be a loss in insurance premium tax revenue attributable to reduced retaliatory tax assessments on non-domestic companies. These amounts would be in addition to the amounts reflected in the above tables.

Technology

Programming and phone call costs to notify taxpayers of \$61,442 would be required.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 347 Public Finance Authority, 304 Comptroller of Public Accounts, 454 Department of Insurance

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