

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 5, 2007**

**TO:** Honorable Helen Giddings, Chair, House Committee on Business & Industry

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB472** by Solomons (Relating to the regulation of third-party administrators, including administrators with delegated duties in the workers' compensation system of this state; providing administrative penalties.), **As Introduced**

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| <b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB472, As Introduced: an impact of \$0 through the biennium ending August 31, 2009. |
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**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2008        | \$0  |
| 2009        | \$0  |
| 2010        | \$0  |
| 2011        | \$0  |
| 2012        | \$0  |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable Revenue Gain/(Loss) from<br><i>DEPT INS OPERATING ACCT</i><br>36 |
|-------------|---|
| 2008        | \$17,500  |
| 2009        | \$3,500   |
| 2010        | \$3,500   |
| 2011        | \$3,500   |
| 2012        | \$3,500   |

**Fiscal Analysis**

The bill would amend the Insurance Code relating to the regulation of third-party administrators in the workers' compensation system. The bill would provide for the commissioner to collect application and reporting fees from administrators.

The bill would take effect on September 1, 2007 with limited exceptions. Persons and service companies would not be required to hold a license under the Insurance Code as amended by the bill until January 1, 2008. Also, those persons who on August 31, 2007 hold a certificate of authority issued under these provisions may continue to operate under that authority until January 1, 2008. No later than January 1, 2008, the Texas Department of Insurance shall issue a provisional license to those persons if they are in compliance with the requirements of the Insurance Code, as they existed before the bill amended the Code. These provisional licenses expire June 1, 2008.

## **Methodology**

Based on the analysis of the Texas Department of Insurance (TDI), it is assumed that there would be small revenue gains realized from the \$500 initial application fee and a \$100 annual reporting fee. TDI estimates that 35 administrators would apply for an initial application in fiscal year 2008 and would pay the reporting fee each subsequent fiscal year.

Also based on the analysis of TDI, it is assumed that any costs associated with implementing the provisions of the bill could be absorbed within existing resources.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 212 Office of Court Administration, Texas Judicial Council, 454 Department of Insurance

**LBB Staff:** JOB, JRO, MW, SK