

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

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

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

IN RE: HB1226 by Smithee (Relating to the subrogation interests of certain political subdivisions or insurance carriers providing reinsurance for subdivisions.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend Section 172.015, Local Government Code, to provide that in a third party recovery action, a payor of employee benefits would not be charged a fee for recovery of interest that exceeds one-third of the payor's recovery. The bill would also establish in certain circumstances the payor's pro rata recovery rate would be the lesser of one-third of the covered individual's total recovery or the total cost of employee benefits paid by the payor as a direct result of the tortious conduct of the third party. A covered individual would be allowed to bring an action for declaratory judgment to challenge the amount of pro rata recovery due to the payor of benefits. If the court were to find in favor of the covered individual, the bill provides for limitations on the amount the court may determine as the pro rata recovery for the payor.

The bill would apply only to a cause of action that accrues on or after the effective date of the bill. The bill would take effect immediately if it were to receive the required two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

Local Government Impact

The fiscal impact to local governmental entities would vary depending on the number of applicable cases and amounts of recovery; however, the fiscal impact is not expected to be significant.

Source Agencies:

LBB Staff: JOB, JRO, KJG, DB