LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 17, 2007

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: **HB1978** by Taylor (Relating to assessments for the Texas Health Insurance Risk Pool.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1978, As Engrossed: a negative impact of ($93,520,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	($46,760,000)
2009	($46,760,000)
2010	($46,760,000)
2011	($46,760,000)
2012	($46,760,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue (Loss) from *FOUNDATION SCHOOL FUND* 193
2008	($35,070,000)	($11,690,000)
2009	($35,070,000)	($11,690,000)
2010	($35,070,000)	($11,690,000)
2011	($35,070,000)	($11,690,000)
2012	($35,070,000)	($11,690,000)

Fiscal Analysis

The bill would amend the Insurance Code to require all health benefit plan issuers in the state to file a report of their gross health benefit plan premiums. The bill would revise the formula by which assessments for the Texas Health Insurance Risk Pool are calculated for individual health benefit plan issuers. The bill would allow insurers to take a premium tax credit for certain assessments paid for the Texas Health Insurance Risk Pool.

The credit would be allowed for the portion of the insurer's regular assessment, determined by the pool's board of directors during the preceeding calendar year, for non-federally eligible individuals who qualified for pool coverage. The credit would be applied to the premium tax due in the calendar year following the calendar year in which the regular assessment was determined by the pool and would be limited to the premium tax liability due for the calendar year before the application of prepayments or guaranty association credits. Credit exceeding the premium tax liability for the calendar year could not be carried forward or applied backward.

The bill would take effect June 30, 2007 upon a two-thirds vote in each house, otherwise the bill would take effect September 1, 2007.

Methodology

Based on the analysis of the Comptroller, although future assessments are uncertain and subject to change because of changes in enrollment, eligibility, and premiums, projections for future assessments were based on an average of the two most recent annual regular assessments, which were $86.8 million in 2005 and $88.0 million in 2006 and an average for non-federally eligible enrollment of 53.5 percent.

It is assumed that the full amount of assessments would be claimed as credit in the first year they become available. To the extent that the full amounts were not claimed in the first year available, the loss in premium tax revenues would be reduced for that year.

It is assumed the bill would result in a loss to the General Revenue Fund and the Foundation School Fund 193 because the insurance premium tax is classified as an occupation tax and therefore 25 percent of its revenues are constitutionally dedicated to the Foundation School Fund 193.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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