LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

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

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1978, As Introduced: a negative impact of ($192,376,000) 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	($96,188,000)
2009	($96,188,000)
2010	($96,188,000)
2011	($96,188,000)
2012	($96,188,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue (Loss) from *FOUNDATION SCHOOL FUND* 193
2008	($72,141,000)	($24,047,000)
2009	($72,141,000)	($24,047,000)
2010	($72,141,000)	($24,047,000)
2011	($72,141,000)	($24,047,000)
2012	($72,141,000)	($24,047,000)

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 health benefit plan issuers to take a premium tax credit in the calendar year for the total amount of the assessment paid in the previous calendar year and would allow unused credits to be carried over for five years.

The bill would take effect immediately 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 assessments, which were $96.7 million in 2005 and $94.7 million in 2006.

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 but increased in later years. It is also assumed the first credit taken in the report filed on March 1, 2008 would be limited to the assessment paid in calendar year 2007.

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

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