

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 17, 2007

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

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

IN RE: HB2960 by Smithee (Relating to operation of the Texas Windstorm Insurance Association and the Texas FAIR Plan Association, including funding of coverage for certain catastrophic events through the issuance of public securities..), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2960, Committee Report 2nd House, Substituted: an impact of \$0 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	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36	Probable Revenue (Loss) from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36	Probable Savings from <i>INSURANCE MAINT</i> <i>TAX FEES</i> 8042	Probable Revenue (Loss) from <i>INSURANCE MAINT</i> <i>TAX FEES</i> 8042
2008	\$1,000,000	(\$1,000,000)	\$833,280	(\$833,280)
2009	\$1,000,000	(\$1,000,000)	\$833,280	(\$833,280)
2010	\$1,000,000	(\$1,000,000)	\$833,280	(\$833,280)
2011	\$1,000,000	(\$1,000,000)	\$833,280	(\$833,280)
2012	\$1,000,000	(\$1,000,000)	\$833,280	(\$833,280)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	(32.0)
2009	(32.0)
2010	(32.0)
2011	(32.0)
2012	(32.0)

Fiscal Analysis

The bill would amend Insurance Code Chapter 2210 relating to the operations and funding of the

Texas Windstorm Insurance Association (TWIA). The bill provides for Sunset review of TWIA and sets a priority for funding TWIA's losses due to catastrophic events in excess of premiums and other revenue and operating expenses. The bill provides for the issuance of pre and post-event bonds. The bonds would be issued by the Texas Public Finance Authority (TPFA), at the request of TWIA and with the approval of the Commissioner of Insurance. The bill would make TWIA responsible for inspecting structures that are constructed, repaired or to which additions are made for the purpose of obtaining a certificate of compliance. This certificate of compliance is necessary to obtain insurance from TWIA.

The bill would take effect immediately upon a two-thirds vote, otherwise the bill would take effect September 1, 2007.

Methodology

Under current law the Texas Department of Insurance (TDI) is responsible for inspecting structures that are constructed, repaired or to which additions are made for the purpose of obtaining the certificate of compliance that is necessary to obtain insurance from TWIA. It is assumed that the transfer of this responsibility to TWIA would result in a reduction at TDI of 32 FTEs. Salaries and associated expenses for these FTEs total \$883,280 each fiscal year. Since TDI is required to generate revenues equivalent to its costs under current law, this analysis assumes that all savings incurred as a result of the bill would result in an equivalent decrease in insurance maintenance tax revenues.

Under current law TDI uses \$1,000,000 in investment income from the trust fund to fund the mitigation and preparedness plan. Since TDI is required to generate revenues equivalent to its costs under current law, this analysis assumes that savings incurred as a result of the elimination of this requirement would result in an equivalent revenue loss to General Revenue Dedicated Account Fund 36.

Based on the analysis of the Comptroller of Public Accounts, it is assumed that the bill would repeal the tax credit under current law that insurers subject to the CRTF are allowed to take against their insurance premium tax liability. Because future credits cannot be predicted, this analysis does not assume that provision of the bill would have a fiscal impact on the state. However, in the event that a future covered catastrophe of such magnitude were to occur to elicit creditable TWIA assessments, it is assumed that implementation of the provisions of the bill would result in a positive fiscal impact to the state relative to current law.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, JRO, MW, SK