

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 8, 2007

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: SB561 by Carona (Relating to the subrogation interests of certain political subdivisions or insurance carriers providing reinsurance for subdivisions.), **As Passed 2nd House**

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 newly added subsections (c) through (i) within Section 172.015 would not apply to a payor of employee benefits participating in a cooperative effort to design and administer benefits through an administrative agency that includes, based on population criteria, Dallas County as a cooperative member.

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, SD, KJG, DB