

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 7, 2009

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

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

IN RE: HB3640 by Hunter (Relating to the operation and alternative funding sources for the Texas Windstorm Insurance Association.), **As Introduced**

The negative fiscal impact to the General Revenue Fund resulting from legislative appropriations made to make funds available to the Texas Windstorm Insurance Association for deposit to the Catastrophe Reserve Trust Fund under the provisions of the bill for claims associated with weather-related disaster would depend on the timing, magnitude, location and number of natural disasters that might occur in insured areas which cannot be determined.

The bill would make no appropriation, but it would establish the basis for an appropriation.

The bill would amend the Insurance Code to authorize the Texas Windstorm Insurance Association (TWIA) to accept funds from additional sources for deposit in the Catastrophe Reserve Trust Fund (CRTF). The new funding sources would include, but would not be limited to: (1) funds available for disaster recovery under the American Recovery and Reinvestment Act (ARRA) of 2009; (2) funds available for disaster recovery from the state economic stabilization fund, through a one-time grant, loan, line of credit, or other lawful arrangement; (3) funds generated through issuance of public securities; (4) legislative appropriation; or (5) other permissible sources. These funds would be in addition to funds from the reinsurance program or other methods of TWIA funding.

While there are no funds specifically allocated to Texas for disasters, it is possible that the state could use part of the ARRA funds (fiscal stabilization portion) for disaster recovery. Depending on if and how these funds are allocated (loan vs. grant), there could potentially be a cost to TWIA for the repayment amount. The cost can not be determined because of the uncertainty of if and/or how the funds would be allocated.

The amount of legislative appropriations or transfers from the state economic stabilization fund would be dependent on the frequency and severity of windstorms and the associated claims, therefore the cost from these two funding sources cannot be determined.

For the purpose of this analysis, Hurricane Ike, the state's most recent weather-related disaster with a significant impact on TWIA, was used as a source of reference. While the fiscal impact of Hurricane Ike to state agencies is an estimated \$2.0 billion, it is an estimated \$2.2 billion to TWIA. Under the provisions of the bill, an amount up to \$2.2 billion could be appropriated from General Revenue and/or the economic stabilization fund for the purpose of making those funds available to TWIA for deposit to the CRTF.

If the bill receives a vote of two-thirds in each house, the bill would take effect immediately. If the bill passes but does not receive the necessary vote for immediate enactment, the bill would take effect September 1, 2009.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 347 Public Finance Authority, 352 Bond Review Board, 454 Department of Insurance

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