

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: HB3648 by Hunter (Relating to the operation and funding of the Texas Windstorm Insurance Association; transfer of state revenue to the Catastrophe Reserve Trust Fund for excess losses caused by natural disasters.), **As Introduced**

Depending on the timing, magnitude, location, and number of natural disasters that might occur in insured areas, the bill could have an indeterminate fiscal impact to the state.

The bill would not make an appropriation, but it would establish the basis for an appropriation.

The bill would relate to natural disasters in a catastrophe area that occurred after the effective date of this bill and during the state fiscal biennium beginning September 1, 2007 and the biennium ending August 31, 2011. If resulting in insured losses and operating expenses of the Texas Windstorm Insurance Association in excess of premium and other revenue of the Association, the excess losses would be paid from amounts appropriated out of the economic stabilization fund. The Legislative Budget Board would be required to approve the transfer of some or all of these appropriated funds.

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 the economic stabilization fund for the purpose of paying for the excess losses.

The bill would take effect only if it received a two-thirds vote of the members present in each house as required by Section 49-g (economic stabilization fund), Article III of the Texas Constitution.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect on the 91st day after the last day of the legislative session.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, KJG, SD, KK, MW