

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: HB4733 by Smithee (Relating to the operation and funding of the Texas Windstorm Insurance Association, including funding of coverage for certain catastrophic events through the issuance of public securities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4733, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue (Loss) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Savings from <i>Insurance Maint Tax</i> <i>Fees</i> 8042	Probable Revenue (Loss) from <i>Insurance Maint Tax</i> <i>Fees</i> 8042
2010	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2011	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2012	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2013	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)
2014	\$1,000,000	(\$1,000,000)	\$610,740	(\$610,740)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	(28.0)
2011	(28.0)
2012	(28.0)
2013	(28.0)
2014	(28.0)

Fiscal Analysis

The bill would amend the Insurance Code relating to the operation and funding of the Texas Windstorm Insurance Association (TWIA).

The bill would require the Office of the Governor to appoint seven members to the TWIA board of directors. The bill would require the Texas Department of Insurance (TDI) to adopt rules regarding the approval procedure for catastrophe models used by TWIA in setting rates. The bill would transfer the authority to adopt building codes from TDI to TWIA.

The bill would transfer the windstorm inspection program from TDI to TWIA, which would result in a reduction of \$1,610,740 in TDI's budget due to staffing reductions of 28 FTEs and the elimination of the windstorm field offices. This program is partially funded from approximately \$1 million deposited in Fund 36 annually in investment income from the Catastrophe Reserve Trust Fund (CRTF) to subsidize inspections. The bill would eliminate the transfer, leaving the funding in the CRTF.

This bill would authorize TWIA to direct the Texas Public Finance Authority to issue revenue bonds in an amount necessary to provide funds to establish and maintain reserves to pay claims, pay incurred claims, pay operating expenses, purchase reinsurance and pay issuance costs.

If the bill receives a two-thirds vote from each house, then the bill would take effect immediately. If the necessary vote for immediate enactment does not occur, then the bill would take effect on September 1, 2009.

Methodology

Based on analysis from TDI, the reduction of 28 FTEs in fiscal years (FY) 2010 to 2014 would decrease costs to TDI in the amount of \$1,297,573 for salaries and associated costs. Additionally, the reduction in FTEs would decrease benefits costs to the state by \$313,167 in FY 2010 to 2014.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that any savings realized would remain in the fund or the maintenance tax would be set to recover a lower level of revenue the following year.

According to the analysis of the Bond Review Board, the public securities are obligations solely of TWIA and do not create a pledge, gift or loan of the faith, credit or taxing authority of this state. Since the issuance of TWIA debt is not and may not constitute a legal or moral obligation of the state, it should have no direct impact on the fiscal health of the state.

Technology

No technology impact is anticipated.

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, 116 Sunset Advisory Commission, 303 Facilities Commission, 479 State Office of Risk Management

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