

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 18, 2011

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

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

IN RE: SB644 by Hegar (Relating to the continuation and operation of the Texas Department of Insurance and the operation of certain insurance programs; imposing administrative penalties.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to the continuation and operation of the Texas Department of Insurance (TDI) and the operation of certain insurance programs; imposing administrative penalties. TDI is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue TDI for 12 years and would take effect on September 1, 2011. The bill would also require TDI to clearly define the processes it uses to regulate property and casualty insurance in Texas, to develop and encourage the use of appropriate alternative dispute resolution procedures, and to develop and implement a plan to collect from insurers and publish certain information relating to the processing of personal automobile and residential property claims. Additionally, the bill would require TDI to determine, at least every six years, which areas of the state should be designated as underserved and to study the accuracy of certain designations for the purpose of increasing access to insurance in those areas.

The bill would authorize the State Fire Marshal's Office (SFMO), housed at TDI, to charge a fee for inspections of privately owned buildings. The provision will be revenue neutral. Authorizing the SFMO to institute a fee for conducting inspections of privately owned buildings would result in a gain in revenue, but this gain would offset the SFMO's costs in providing the inspections, and the revenue should be redirected to those functions. The gain could not be estimated as it is dependent upon the fee level to be determined by the SFMO and the number of requests that continue to come in once the SFMO charges for this service. Since General Revenue-Dedicated Texas Department of Insurance Fund 36 is a self-leveling account, this analysis also assumes that any additional revenue resulting from the implementation of the bill would accumulate in the account fund balances and that the department would adjust the assessment of the maintenance tax or other fees accordingly in the following year. The bill would require the SFMO to periodically inspect state-leased buildings and requires the SFMO to create a risk-based approach to conducting its routine inspections of state buildings.

Based on the analysis provided by the Sunset Advisory Commission and the Texas Department of Insurance, implementation of this bill will have no fiscal impact.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 454 Department of Insurance

LBB Staff: JOB, KM, MW, CH