

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 9, 2011

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

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

IN RE: SB1291 by Hegar (Relating to the budget of certain divisions of the Texas Department of Insurance.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1291, As Engrossed: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue Gain from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue (Loss) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue Gain from <i>New Financial</i> <i>Department Trust Fund</i> <i>- Outside the Treasury</i>
2012	\$0	\$7,421,489	\$0	\$0
2013	\$7,421,489	\$0	(\$14,842,978)	\$14,842,978
2014	\$7,421,489	\$0	(\$7,421,489)	\$7,421,489
2015	\$7,421,489	\$0	(\$7,421,489)	\$7,421,489
2016	\$7,421,489	\$0	(\$7,421,489)	\$7,421,489

Fiscal Year	Change in Number of State Employees from FY 2011
2012	0.0
2013	(85.8)
2014	(85.8)
2015	(85.8)
2016	(85.8)

Fiscal Analysis

The bill would amend Chapter 401 of the Insurance Code, relating to the budget of certain divisions of the Texas Department of Insurance.

The bill would amend the Insurance Code regarding a self-directed budget for the costs incurred by the Texas Department of Insurance (TDI) financial examinations and actuarial divisions while administering the statutorily required examination function. The bill would limit these costs to salary, travel and related personnel expenses. The bill would require the senior associate commissioner of the program to submit to the Commissioner of Insurance an annual budget of examination costs to be submitted for approval to the Legislative Budget Board (LBB).

The bill would require that the TDI financial program be solely responsible for all examination costs; the financial program would be prohibited from directly or indirectly causing the TDI operating account General Revenue-Dedicated Fund 36 (GR-D Fund 36) to incur any examination cost. The bill would authorize TDI to set the amounts of required or allowed fees as necessary to carry out the financial examination and actuarial functions relating to the examination of insurers and other regulated entities. The financial program would not be prohibited from receiving state funds to cover costs other than examination costs.

The bill would establish an account with the Texas Treasury Safekeeping Trust Company to receive fees, charges, or other revenue collected by the financial program relating to the examination of insurers and other regulated entities. The account could be used only to pay examination costs of the financial program. Revenue not related to the examination of insurers would be deposited to GR-D Fund 36.

The bill would require that the financial department to annually submit to the Commissioner and the LBB a report of the program's receipts and examination costs, including the revenue received from assessments and fees related to the examination of insurers, the portions of financial program employee salaries and total travel expenses paid from the self-directed budget and the portions paid from funds appropriated by the state.

The bill would authorize TDI to transfer funds between the new fund outside the treasury and GR-D Fund 36 as necessary to ensure that funds are deposited to the correct account and for the correct purpose.

The bill would allow TDI, in fiscal year 2012, to continue to fund the financial program out of funds appropriated and revenues collected related to the examination of insurers and other regulated entities would be deposited to GR-D Fund 36. The bill would require TDI to submit a finding of fact to the Comptroller of Public Accounts (CPA) that amounts deposited to GR-D Fund 36 are sufficient to fund the self directed budget, and would require CPA to transfer those funds to the new fund outside the treasury on September 1, 2012.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2011.

Methodology

The bill would authorize a division of TDI to operate with a self-directed semi-independent (SDSI) budget for the use of paying salaries, travel, and related personnel expenses associated with the

examination activities. Based on the analysis provided by the CPA, the bill creates a new fund outside the treasury for the deposit of examination fees.

Revenue from the examination fees and overhead assessments will be deposited to the new fund outside the treasury instead of to the credit of GR-D Fund 36. The costs associated with this division, related to salaries, travel, and related personnel expenses, will be funded with the new fund outside the treasury therefore reducing the costs to GR-D Fund 36. Based on the analysis provided by TDI, the change in funding would be \$5,285,765 in salaries, \$1,472,614 in associated benefits costs, and \$663,110 in travel costs, totalling \$7,421,489 in fiscal years 2013 through 2016 for the 85.8 full-time-equivalent positions in the new SDSI division.

Since TDI is not appropriated General Revenue Funds for this division, this analysis assumes that the reference to the General Revenue Fund is the GR-D Fund 36. The bill states that in the fiscal year 2012 that TDI will continue to fund the financial division out of funds appropriated. Based on the analysis provided by TDI, the amount is assumed to be \$5,285,765 in fiscal year 2012 with \$1,472,614 in associated benefits. Based on the analysis provided by TDI, revenues from examinations and fees will collect in GR-D Fund 36 and additional revenue will be collected to cover the costs. The bill requires in fiscal year 2013 that the CPA would transfer the revenue received from assessments and fees related to the examination of insurers to the new fund outside the treasury. Based on the analysis provided by TDI, the amount is \$5,285,765 in salaries with \$1,472,614 in associated benefits cost. This amount would be a cost to GR-D Fund 36 and a revenue gain for the new fund outside the treasury. In fiscal year 2013, the revenue gain to the fund outside the treasury would be \$14,842,978 from the transfer from GR-D Fund 36 and the revenue received from assessments and fees related to the examination of insurers. In fiscal years 2014 through 2016, the revenue gain to the fund outside the treasury would be \$7,421,489 from revenue received from assessments and fees related to the examination of insurers.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, KJG, MW, CH, AG