

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 11, 2011

TO: Honorable John Carona, Chair, Senate Committee on Business & Commerce

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

IN RE: SB1457 by Harris (Relating to administrative procedures for title insurance hearings, licensing, and enforcement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1457, As Introduced: 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 Revenue Gain from <i>Insurance Maint Tax Fees</i> 8042	Probable (Cost) from <i>Insurance Maint Tax Fees</i> 8042	Change in Number of State Employees from FY 2011
2012	\$467,327	(\$467,327)	5.5
2013	\$506,798	(\$506,798)	5.5
2014	\$435,095	(\$435,095)	5.5
2015	\$506,798	(\$506,798)	5.5
2016	\$435,095	(\$435,095)	5.5

Fiscal Analysis

The bill would amend the Insurance Code relating to administrative procedures for title insurance hearings, licensing, and enforcement.

The bill would amend the anti-rebating subchapter of the Texas Title Insurance Act by striking the word "legal" as a qualifier of permissible promotional and educational activities. The bill would modify procedures and timing for handling and determination of license applications for title agents and escrow officers and establish requirements for notice and pursuit of disciplinary actions. The bill would modify procedures and timing for adoption and implementation of changes to title insurance statistical reporting. The bill would modify what persons may request a title insurance premium rate hearing, establish a new timing and procedural requirements associated with the rate hearing, and

would include a mechanism to petition a district court to adopt a rate. The bill would amend the title insurance biennial hearing requirement, amend the party admission statute for certain title insurance rate hearings, and amend notice requirements for certain title insurance rate and rule hearings.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, the bill would take effect September 1, 2011.

Methodology

Based on the analysis by the Texas Department of Insurance (TDI), implementation of the bill requires 5.5 FTEs in each fiscal year due to the increase in the workload due to additional title insurance enforcement cases and the increased frequency of rate hearings. Based on the analysis by TDI, the 5.5 FTEs would cost \$320,544 for salaries and wages with associated benefit costs of \$89,304, travel costs of \$12,500, telephone and consumable costs of \$11,100, and other operating expenses of \$1,350 each fiscal year from General Revenue – Insurance Maintenance Tax. One-time equipment is anticipated to be \$32,529 in fiscal year 2012 and additional operating expenses of \$297 will be incurred in fiscal year 2014 and 2016 due to additional reference materials that are updated every two years. Additionally, expert witnesses will be required for the additional rate cases at a cost of \$72,000 in fiscal year 2013 and 2015.

Since insurance maintenance tax is self-leveling, this analysis assumes that the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

Technology

The bill is anticipated to have a technology impact of \$7,350 in fiscal year 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, AG, MW, CH