

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 5, 2017

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2113** by Goldman (Relating to the regulation of for-profit legal service contract companies.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2113, As Engrossed: an impact of \$0 through the biennium ending August 31, 2019. However, the bill would result in a net negative impact to General Revenue of (\$1,166,958) in 2020 increasing in subsequent years.

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
2018	\$0
2019	\$0
2020	(\$1,166,958)
2021	(\$1,278,937)
2022	(\$1,400,882)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2017
2018	\$0	\$0	0.0
2019	\$0	\$0	0.0
2020	(\$1,258,190)	\$91,232	(1.5)
2021	(\$1,370,169)	\$91,232	(1.5)
2022	(\$1,492,114)	\$91,232	(1.5)

Fiscal Analysis

The bill would amend Chapter 953 of the Occupations Code and remove for-profit legal service

contracts from regulation by the State. The bill would take effect September 1, 2019.

Methodology

The deregulation of this industry would result in a loss of revenue to the State beginning in fiscal year 2020. Companies, administrators and sales representatives pay fees for new and renewal applications, which would no longer be collected. Additionally, each company currently pays an annual fee to the Department of Licensing and Regulation (TDLR) equal to 1.7% of the amount a company collected from legal service contracts sold in Texas in the current year minus the amount the company paid to the state in franchise taxes in the same year. According to analysis by TDLR, the revenue from these fees has increased annually at an approximate rate of 8.9% and it was assumed this growth would continue.

Based on information provided by TDLR and the Comptroller of Public Accounts (CPA), the CPA estimates a loss in revenue to the General Revenue Fund of approximately \$1.3 million in fiscal year 2020 and increasing to \$1.5 million by fiscal year 2022. Approximately 1.5 FTEs across TDLR regulate this industry and would be reduced upon deregulation, resulting in a savings to General Revenue of \$91,232 in salaries and associated personnel expenses in fiscal year 2020 and beyond.

According to the Texas Department of Insurance (TDI), should these entities no longer be subject to state regulation due to the provisions of this bill, TDI would no longer assess a maintenance tax for these entities as directed in Texas Insurance Code Chapter 260. Based on information provided by TDI, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources and the provisions of the bill would not have a significant impact on maintenance tax revenue collections.

Based on the analysis of the Office of the Attorney General, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 452 Department of Licensing and Regulation, 454 Department of Insurance, 304 Comptroller of Public Accounts

LBB Staff: UP, JQ, CL, EH, SD