

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 14, 2017

TO: Honorable Larry Phillips, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2144 by Davis, Yvonne (Relating to disclosure of foreign ownership of insurers authorized to engage in the business of insurance in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 2144, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

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	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from Insurance Maint Tax Fees 8042	Probable (Cost) from Insurance Maint Tax Fees 8042	Change in Number of State Employees from FY 2017
2018	\$380,171	(\$380,171)	6.0
2019	\$374,171	(\$374,171)	6.0
2020	\$374,171	(\$374,171)	6.0
2021	\$374,171	(\$374,171)	6.0
2022	\$374,171	(\$374,171)	6.0

Fiscal Analysis

The bill would amend the Insurance Code relating to disclosure of foreign ownership of insurers authorized to engage in the business of insurance in this state.

The bill would require any insurance entity that issues equity securities in Texas to file an annual report to the Texas Department of Insurance (TDI) identifying each major foreign shareholder. TDI would be required to post and maintain the annual reports online for three years.

The bill would require the Comptroller of Public Accounts (CPA) to adopt rules no later than December 31, 2017 to implement the provisions of the bill. The rules would require the submission of the initial reports no later than the 60th day after the effective date of the rules.

The bill would take effect on September 1, 2017.

Methodology

Based on information provided by TDI, the agency anticipates approximately 35,000 entities could have direct or indirect ownership by a major foreign shareholder and would need to report information to TDI. TDI estimates each annual report filing would produce 20 minutes of work to analyze the filing, contact entities related to incomplete information or non-compliance issues, and post the filing online. It is estimated that implementing the provisions of the bill would result in the need for 6.0 additional Full-Time-Equivalent (FTE) positions assuming 2,000 hours of work per FTE each year.

The agency estimates that the 6.0 FTEs would require recurring costs to General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees of \$270,144 in salaries, \$4,052 in payroll contribution costs, and \$94,875 in related support and benefit costs each fiscal year. Additional program costs include a one-time cost of \$6,000 for computers and related software, and recurring costs of \$3,600 for consumable supplies and \$1,500 for other related operating expenses.

Due to the self-leveling nature of the TDI operating fund, this analysis assumes that TDI would adjust the assessment of the maintenance tax to account for any additional costs resulting from the implementation of the bill.

Based on information provided by the CPA, this analysis assumes the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

TDI estimates a one-time technology cost of \$6,000 in fiscal year 2018 related to the purchase of a computer and related software for the new FTEs required to implement the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 312 Securities Board, 454 Department of Insurance

LBB Staff: UP, AG, EH, CP, JQ