

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 22, 2019

TO: Honorable Eddie Lucio III, Chair, House Committee on Insurance

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: **HB4277** by Davis, Yvonne (Relating to the establishment of the consumer complaint review panel by the State Office of Administrative Hearings to conduct certain insurance appeals.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4277, As Introduced: a negative impact of (\$8,540,977) through the biennium ending August 31, 2021.

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
2020	(\$4,468,480)
2021	(\$4,072,497)
2022	(\$4,072,497)
2023	(\$4,072,497)
2024	(\$4,072,497)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from Insurance Maint Tax Fees 8042	Probable (Cost) from Insurance Maint Tax Fees 8042	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2019
2020	\$1,967,658	(\$1,967,658)	(\$4,468,480)	57.0
2021	\$1,929,158	(\$1,929,158)	(\$4,072,497)	57.0
2022	\$1,929,158	(\$1,929,158)	(\$4,072,497)	57.0
2023	\$1,929,158	(\$1,929,158)	(\$4,072,497)	57.0
2024	\$1,929,158	(\$1,929,158)	(\$4,072,497)	57.0

Fiscal Analysis

The bill would amend the Government Code relating to the establishment of the consumer complaint review panel by the State Office of Administrative Hearings (SOAH) to conduct certain insurance appeals. The bill would allow appeals of policyholder complaints filed with the Texas Department of Insurance (TDI) under Insurance Code, Chapter 521, that were denied, determined to be without merit, or for which TDI did not confirm receipt of the complaint.

The bill would require SOAH to establish the consumer complaint review panel no later than January 1, 2020. The bill would take effect on September 1, 2019.

Methodology

Based on information provided by TDI, the agency anticipates approximately 13,050 complaints would go to appeals each fiscal year under the provisions of the bill. To respond to the increased workload, TDI anticipates the need for 22.0 additional full-time equivalent (FTE) positions per fiscal year for a total five-year impact of \$9,684,290 from General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees. The FTEs would include 10 attorneys, 10 program specialists, one administrative assistant, and one manager.

TDI estimates that the 22.0 FTEs would require recurring costs to General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees of \$1,388,096 in salaries, \$20,822 in payroll contribution costs, and \$464,040 in related support and benefit costs each fiscal year. Additional program costs include one-time costs of \$33,000 for computers and related software and \$5,500 for telecommunication licenses. Additional program costs include recurring costs of \$13,200 for consumable supplies, \$6,500 for training and dues, \$20,000 for travel, and \$16,500 for other related technology 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.

To respond to the increased workload, SOAH anticipates the need for 35.0 additional FTE positions per fiscal year for a total five-year impact of \$20,758,468 from the General Revenue Fund. The FTEs would include 17 administrative law judges II, three master administrative law judges, five legal secretaries, two deputy clerks, two legal assistants, and six other various support staff.

SOAH estimates that the 35.0 FTEs would require recurring costs to the General Revenue Fund of \$2,691,875 in salaries, \$40,378 in payroll contribution costs, and \$899,894 in related support and benefit costs each fiscal year. Additional program costs include one-time costs of \$73,655 for computers and \$322,328 for office and hearing room furniture. Additional program costs include recurring costs of \$17,500 for software licenses, \$364,000 for rental space, and \$58,850 for other related operating expenses.

Technology

This analysis estimates a total one-time technology cost of \$146,155 in fiscal year 2020 and a total recurring cost of \$34,000 each fiscal year thereafter required to implement the provisions of the bill.

TDI estimates one-time technology costs of \$33,000 for computers and \$5,500 for

telecommunication licenses in fiscal year 2020; and recurring costs of \$11,000 for document management subscriptions and \$5,500 for telecommunication licenses each fiscal year.

SOAH estimates a one-time technology cost of \$73,655 for computers in fiscal year 2020; and a recurring cost of \$17,500 for software licenses each fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 360 State Office of Administrative Hearings, 454 Department of Insurance

LBB Staff: WP, CMa, SGr, CP