

SENATE AMENDMENTS

2nd Printing

By: Lucio III

H.B. No. 4120

A BILL TO BE ENTITLED

AN ACT

relating to the financial security requirement for providers obligated under certain service contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1304.151, Occupations Code, is amended by amending Subsection (b) and adding Subsection (b-1) to read as follows:

(b) If the provider ensures its obligations under Subsection (a)(2), the amount maintained in the reserve account may not be less than an amount equal to 40 percent of the gross consideration the provider received from consumers from the sale of all service contracts issued and outstanding in this state, minus any claims paid. The executive director may review and examine the reserve account. Except as provided by Subsection (b-1), the ~~[The]~~ amount of the security deposit may not be less than \$250,000. The provider must submit to the executive director on request a copy of the provider's financial statements that must be prepared in accordance with generally accepted accounting principles, be without qualification as to the going concern status of the provider, and be audited by an independent certified public accountant. The commission by rule may require the provider to submit additional financial reports.

(b-1) The amount of the security deposit required under Subsection (b) may not be less than \$25,000 if the provider:

1 (1) is a motor vehicle dealer licensed under Chapter
2 2301; and

3 (2) offers to sell service contracts only on motor
4 vehicles sold by the provider.

5 SECTION 2. This Act takes effect September 1, 2019.

ADOPTED

MAY 22 2019

By: *Jai Menendez*

Lataj Spaul
Secretary of the Senate

H.B. No. 4120

Substitute the following for H.B. No. 4120:

By: *Jai Menendez*

C.S.H.B. No. 4120

A BILL TO BE ENTITLED

1

AN ACT

2 relating to the financial security requirement for providers
3 obligated under certain service contracts.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 1304.151, Occupations Code, is amended
6 by amending Subsection (b) and adding Subsections (b-1), (b-2), and
7 (b-3) to read as follows:

8 (b) If the provider ensures its obligations under
9 Subsection (a)(2), the amount maintained in the reserve account may
10 not be less than an amount equal to 40 percent of the gross
11 consideration the provider received from consumers from the sale of
12 all service contracts issued and outstanding in this state, minus
13 any claims paid. The executive director may review and examine the
14 reserve account. Except as provided by Subsection (b-1), the [The]
15 amount of the security deposit may not be less than \$250,000. The
16 provider must submit to the executive director on request a copy of
17 the provider's financial statements that must be prepared in
18 accordance with generally accepted accounting principles, be
19 without qualification as to the going concern status of the
20 provider, and be audited by an independent certified public
21 accountant. The commission by rule may require the provider to
22 submit additional financial reports.

23 (b-1) Subject to Subsection (b-2), the amount of the
24 security deposit required under Subsection (b) may not be less than

1 \$25,000 if the provider:

2 (1) is a motor vehicle dealer licensed under Chapter
3 2301; and

4 (2) offers to sell service contracts only on motor
5 vehicles sold by the provider.

6 (b-2) The amount of the security deposit required under
7 Subsection (b-1) is:

8 (1) \$25,000 for a motor vehicle dealer that generated
9 \$1,125,000 or less in annual gross revenue in this state from the
10 sale of service contracts in the preceding year;

11 (2) \$50,000 for a motor vehicle dealer that generated
12 more than \$1,125,000 and not more than \$2,500,000 in annual gross
13 revenue in this state from the sale of service contracts in the
14 preceding year; and

15 (3) \$75,000 for a motor vehicle dealer that generated
16 more than \$2,500,000 in annual gross revenue in this state from the
17 sale of service contracts in the preceding year.

18 (b-3) If a motor vehicle dealer described by Subsection
19 (b-1) has no gross revenue in this state from the sale of service
20 contracts in the preceding year, the security deposit shall be
21 \$25,000.

22 SECTION 2. This Act takes effect September 1, 2019.

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 23, 2019

TO: Honorable Dennis Bonnen, Speaker of the House, House of Representatives

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

IN RE: HB4120 by Lucio III (Relating to the financial security requirement for providers obligated under certain service contracts.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 452 Department of Licensing and Regulation, 608 Department of Motor Vehicles

LBB Staff: WP, SD, DFR, CLo, SGr

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 18, 2019

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

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

IN RE: **HB4120** by Lucio III (Relating to the financial security requirement for providers obligated under certain service contracts.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 452 Department of Licensing and Regulation, 608 Department of Motor Vehicles

LBB Staff: WP, DFR, CLo, SGr

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 2, 2019

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

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

IN RE: HB4120 by Lucio III (Relating to the financial security requirement for providers obligated under certain service contracts.), **As Engrossed**

No fiscal implication to the State is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 452 Department of Licensing and Regulation, 608 Department of Motor Vehicles

LBB Staff: WP, CLo, SGr, DFR

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable Tracy O. King, Chair, House Committee on Licensing & Administrative Procedures

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

IN RE: HB4120 by Lucio III (Relating to the financial security requirement for providers obligated under certain service contracts.), **As Introduced**

No fiscal implication to the State is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 452 Department of Licensing and Regulation, 608 Department of Motor Vehicles

LBB Staff: WP, CLo, SGr, DFR