

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2131-01
Bill No.: HB 698
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: April 9, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$9,839,842	(\$236,634)	(\$236,634)
Total Estimated Net Effect on General Revenue Fund	\$9,839,842	(\$236,634)	(\$236,634)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated Fund	(\$9,839,842)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$9,839,842)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposal should not result in additional costs or savings to the BAP. However, the BAP defers to the Department of Insurance for specific impacts.

Officials from the **Office of State Treasurer (STO)** state the proposal abolishes the Department of Insurance Dedicated Fund, transfers the remaining balance in the fund to the General Revenue Fund, and deposits all future receipts of the dedicated fund to General Revenue.

The STO states that as of March 31, 2003, the Department of Insurance Dedicated Fund contained \$12,235,648, cash balance.

The proposal will have no fiscal impact on the STO.

Officials from the **Department of Insurance (INS)** state the department used FY03 appropriations for personal service and expense and equipment to estimate savings to the dedicated fund and cost to general revenue for department operations. The INS has included an additional cost to general revenue

ASSUMPTION (continued)

for the 3% reserve which previously was not required under the insurance dedicated fund. The net effect will be a one time increase to General Revenue for the fund balance of \$9.8 million in FY04 and on-going costs to GR for an additional \$236,634 for the 3% reserve.

Currently the INS has a refund appropriation which returns approximately \$100,000 each year in erroneous payments. These refunds would now come from General Revenue since this is where the payments will be deposited. These refund amounts have been added to revenue and costs for both General Revenue and Insurance Dedicated Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
GENERAL REVENUE			
<u>Transfer-In - Department of Insurance</u>			
Insurance Dedicated Fund balance	\$19,162,062	\$0	\$0
<u>Income - Department of Insurance</u>			
Insurance premium taxes	\$0	\$9,085,586	\$9,085,586
<u>Costs - Department of Insurance</u>			
Personal service costs (144.50 FTE)	(\$5,122,837)	(\$5,122,837)	(\$5,122,837)
Fringe benefits	(\$2,073,212)	(\$2,073,212)	(\$2,073,212)
Equipment and expense	(\$2,026,171)	(\$2,026,171)	(\$2,026,171)
Refunds for erroneous payments	<u>(\$100,000)</u>	<u>(\$100,000)</u>	<u>(\$100,000)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$9,322,220)</u>	<u>(\$9,322,220)</u>	<u>(\$9,322,220)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$9,839,842</u>	<u>(\$236,634)</u>	<u>(\$236,634)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
INSURANCE DEDICATED FUND			

Savings - Department of Insurance

Personal service costs (144.50 FTE)	\$5,122,837	\$0	\$0
Fringe benefits	\$2,073,212	\$0	\$0
Equipment and expense	\$2,026,171	\$0	\$0
Refunds for erroneous payments	<u>\$100,000</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Savings</u> - Department of Insurance	<u>\$9,322,220</u>	<u>\$0</u>	<u>\$0</u>

Transfer - Out - Department of Insurance

Insurance Dedicated Fund balance	<u>(\$19,162,062)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$9,839,842)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal abolishes the Dedicated Fund for the Department of Insurance, which is funded by fees and fines assessed to insurers doing business in the state, and shifts this money to the General Revenue Fund.

The proposal has an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Budget and Planning
 Department of Insurance

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Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
APRIL 9, 2003

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