

Department of Insurance
Summary of Budget Recommendations - House

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Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$82,188,986	\$459,612	(\$81,729,374)	(99.4%)
GR Dedicated Funds	\$135,980,199	\$211,677,832	\$75,697,633	55.7%
Total GR-Related Funds	\$218,169,185	\$212,137,444	(\$6,031,741)	(2.8%)
Federal Funds	\$4,455,186	\$4,511,586	\$56,400	1.3%
Other	\$58,600,114	\$10,700,554	(\$47,899,560)	(81.7%)
All Funds	\$281,224,485	\$227,349,584	(\$53,874,901)	(19.2%)

	FY 2021 Budgeted	FY 2023 Recommended	Biennial Change	Percent Change
FTEs	1,231.2	1,210.0	(21.2)	(1.7%)

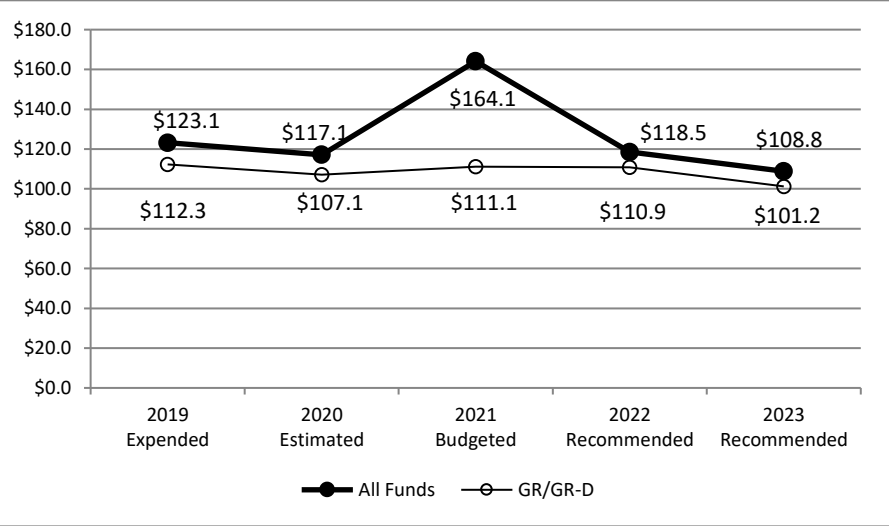
Agency Budget and Policy Issues and/or Highlights

TDI General Revenue-Dedicated Fund 36 was exempted from the five percent LBB and Office of the Governor GR/GR-D Limit Reduction for the 2020-21 biennium. However, Fund 36 amounts were not exempted for GR/GR-D limit calculations in the 2022-23 biennium. Total GR-Related Funds biennial change amount shown above reflects a five percent reduction to Fund 36 amounts.

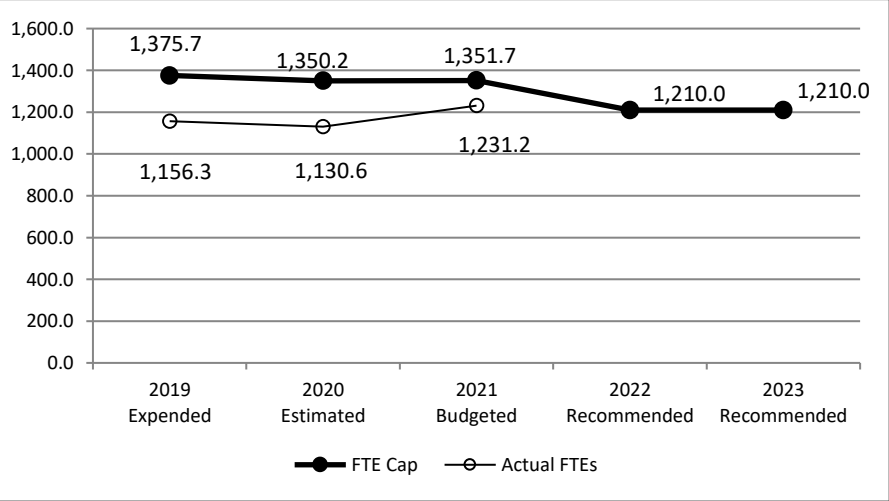
Additionally, recommendations include an agency-requested method of finance swap from General Revenue to General Revenue-Dedicated Funds. See Section 3 for details.

The bill pattern for this agency (2022-23 Recommended) represents an estimated 51.0% of the agency's estimated total available funds for the 2022-23 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Department of Insurance
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Contingency Health Insurance Risk Pool - Enabling statute expires in the 2020-21 biennium.	\$0.0	\$0.0	\$0.0	(\$41.1)	(\$41.1)	G.1.1
B)	Eliminate References in the General Appropriations Act to TDI Maintenance Tax and Fee Account No. 8042 - MOF Swap	(\$81.7)	\$81.7	\$0.0	\$0.0	\$0.0	Multiple Strategies
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	Decrease in General Revenue-Dedicated funds to meet LBB and Office of the Governor five percent limit reduction in 2022-23 biennium.	\$0.0	(\$6.0)	\$0.0	\$0.0	(\$6.0)	D.1.2
D)	Decrease in Appropriated Receipts related to penalties and fines for the Three-Share Premium Assistance Program.	\$0.0	\$0.0	\$0.0	(\$6.4)	(\$6.4)	B.4.1
E)	Decrease in Appropriated Receipts related to company rehabilitation activities and designated doctor conferences.	\$0.0	\$0.0	\$0.0	(\$0.5)	(\$0.5)	B.1.1, D.1.2
F)	Net funding increases related to Appropriated Receipts collection for Division of Workers' Compensation Educational Services, and additional Federal OSHA Bureau of Labor Statistics Grant funding.	\$0.0	\$0.0	\$0.1	\$0.1	\$0.2	D.2.1, D.2.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$81.7)	\$75.7	\$0.1	(\$47.9)	(\$53.8)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$81.7	\$0.1	\$0.1	\$0.2	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$81.7)	(\$6.0)	\$0.0	(\$48.0)	(\$54.0)	As Listed

NOTE: Totals may not sum due to rounding.

**Department of Insurance
Selected Fiscal and Policy Issues - House**

1. **Self-Leveling Funding.** The Texas Department of Insurance (TDI) is required by statute to adjust taxes and fees to generate revenue equivalent to its appropriations, the appropriations made to the Office of Injured Employee Counsel (OIEC) and certain programs in five other agencies, and other indirect costs including benefits.

Methods of finance subject to this requirement include the Insurance Companies Maintenance Tax and Insurance Department Fees (GR Fund 8042) deposited in the General Revenue Fund and the TDI Operating Fund Account No. 36 (GR-D Fund 36).

2. **Realign Five Percent Limit Reduction across Budget Strategies.** The introduced bill reflects a decrease of \$6.0 million in General Revenue-Dedicated funds to meet LBB and Office of the Governor five percent limit reduction in the 2022-23 biennium, in Strategy D.1.2, Dispute Resolution. TDI requests a technical adjustment to spread this decrease across several Strategies.

3. **Exceptional Items Related to Five Percent Limit Reduction**

- **Restore Funding for Operations Modernization and COMPASS.** TDI requests an Exceptional Item of \$5.0 million in General Revenue-Dedicated funds for partial restoration of the LBB and Office of the Governor 5% GR/GR-D limit reduction on self-leveling Fund 36 amounts not available for GAA certification, to include operations modernization efforts and replacement of the Division of Workers' Compensation COMPASS system.
- **Restore Funding for State Regulatory Response Contingency.** TDI requests an Exceptional Item of \$4.4 million in General Revenue-Dedicated funds and 40.0 FTEs for restoration of the LBB and Office of the Governor 5% GR/GR-D limit reduction, as contingency funding for significant changes in the regulatory environment, federal healthcare reform, weather-related disasters, public health/insurance crisis, and other disasters as declared by the Commissioner of Insurance.

In the absence of restored funding, recommendations include deletion of the Rider outlining State Regulatory Response to the above disasters/crisis.

4. **Health Insurance Risk Pool.** Senate Bill 2087 (85R) established a temporary Health Insurance Risk Pool to assist Texas residents in accessing quality health care. Senate Bill 1940 (86R) extended the expiration date of the Chapter until August 31, 2021. TDI is appropriated \$42.9 million in All Funds in the 2020-21 biennium, including 1) \$41.1 million in Premium Stabilization Funds (Other Funds) to provide access to health care and conduct public education and outreach; and 2) \$1.8 million in GR-D Fund 36 to administer the Health Insurance Risk Pool.

Pursuant to TDI Rider 21, Contingency Appropriation: Health Insurance Risk Pool, the funds are contingent on federal law, regulation, or executive action and may not be spent unless the Commissioner of Insurance files a finding of fact with the Governor and the Legislative Budget Board (LBB). No funds were expended for this purpose in fiscal year 2020.

Pursuant to SB1940 (86R), TDI received approval for use of \$1.3 million of the total contingent appropriation for fiscal year 2021 in Premium Stabilization Funds to hire a third-party entity to provide actuarial services, including a feasibility study to inform potential approaches.

Pursuant to Texas Insurance Code, Chapter 1510, the Health Insurance Risk Pool will expire on August 31, 2021 without further legislative action. Recommendations include a decrease of \$42.9 million in All Funds related to the expiration of the Health Insurance Risk Pool and the deletion of the associated Rider 21, Contingency Appropriation: Health Insurance Risk Pool.

5. **Eliminate References in the General Appropriations Act to Department of Insurance Maintenance Tax and Fee Account No. 8042.** The introduced bill reflects an agency-requested Method of Finance change, amending various sections of the General Appropriations Act (GAA) to remove references to General Revenue Funds-Account No. 8042 and substituting with General Revenue Funds-Dedicated Operating Account No. 036.

**Department of Insurance
Rider Highlights - House**

Modification of Existing Riders

18. **Appropriation of Amusement Ride Fee Collections and Reporting Requirements.** Recommendations include deletion of appropriation limitation amount, to reflect Department of Insurance employees working both on the referenced chapter as well as other areas within the Property and Casualty Division. TDI will continue to administer reporting requirements detailed in Rider.
21. **Agent and Adjuster Licensing Fee Collections.** Recommendations include amending Rider to align specified Strategy to new budget structure.

Deleted Riders

16. **Medical Fee Disputes.** Recommendations include deletion of Rider that specified amounts appropriated within specific Strategies for purposes of financing the cost of appeals of medical disputes and conducting medical quality review cases. The TDI Division of Workers' Compensation projects caseload and costs that are predictable and spread evenly between fiscal years, resulting in expenditures for the program that are incorporated in the budgets of multiple program areas.
19. **Contingency Appropriation: State Regulatory Response.** Recommendations include deletion of Rider, as contingency funding for significant changes in the regulatory environment, public health/insurance crisis, and other disasters as declared by the Commissioner of Insurance were decreased as part of the LBB and Office of the Governor 5% GR/GR-D limit reduction.
22. **Contingency Appropriation: Health Insurance Risk Pool.** Recommendations include deletion of Rider, as the authorizing statute extended by Senate Bill 1940, 86th Legislature expires on August 31, 2021.

Department of Insurance
Items Not Included in Recommendations - House

Section 5

	2022-23 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2024-25
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Technical Adjustment - Realignment of limit reduction across budget strategies	\$0	\$0	0.0	No	No	\$0
2)	Partial restoration of limit reduction on self-leveling Fund 36 amounts not available for GAA certification, to include operations modernization efforts and replacement of DWS' COMPASS system.	\$4,973,255	\$4,973,255	0.0	No	Yes	\$4,973,255
3)	Restore contingency appropriation for State Regulatory Response for crisis or disasters, reduced as part of the LBB and Office of the Governor five percent mandated budget reduction.	\$4,400,000	\$4,400,000	40.0	No	No	\$0

Agency Rider Requests Not Included

1)	Delete Rider 16, Administrative Attachment Budget that specifies funding amounts provided to Office of Injured Employee Counsel for rental space, equipment, postage and supplies.	\$0	\$0	0.0	No	No	\$0
2)	Delete Rider 18, Workers' Compensation Fraud Prosecution that specifies funding amounts dedicated for the purpose of workers' compensation fraud prosecution in cooperation with the Travis County District Attorney's Office.	\$0	\$0	0.0	No	No	\$0
3)	Amend Rider 19, Appropriation: Agent and Adjuster Licensing Fee Collections to add new language authorizing UB between biennia.	\$0	\$0	0.0	No	No	\$0

TOTAL Items Not Included in Recommendations

\$9,373,255

\$9,373,255

\$4,973,255

Department of Insurance
Appendices - House

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* Appendix is not included - no significant information to report

Department of Insurance
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments (Optional)
CONSUMER EDUCATION AND OUTREACH A.1.1	\$15,729,997	\$15,594,744	(\$135,253)	(0.9%)	Adjustment for budgeted appropriated receipts and realignment for one-time spending in 2020-21 relative to current budget request.
CUSTOMER OPERATIONS A.1.2	\$13,471,796	\$13,461,274	(\$10,522)	(0.1%)	
TEXAS.GOV A.1.3	\$799,300	\$797,800	(\$1,500)	(0.2%)	
Total, Goal A, PROTECT CONSUMERS	\$30,001,093	\$29,853,818	(\$147,275)	(0.5%)	
INDUSTRY SOLVENCY REGULATION B.1.1	\$11,067,498	\$10,989,834	(\$77,664)	(0.7%)	
PROPERTY & CASUALTY REGULATION B.2.1	\$13,481,304	\$13,649,378	\$168,074	1.2%	Impact of travel savings and position vacancies due to COVID pandemic.
LIFE & HEALTH REGULATION B.2.2	\$10,180,626	\$10,785,042	\$604,416	5.9%	Net impact of budget realignment from other Strategies.
LEGAL REVIEW & ENFORCEMENT B.3.1	\$13,075,253	\$13,220,200	\$144,947	1.1%	Impact of position vacancies due to COVID pandemic.
INSURANCE FRAUD B.3.2	\$7,666,165	\$7,937,726	\$271,561	3.5%	Net impact of budget realignment from other Strategies.
THREE-SHARE PROGRAMS B.4.1	\$6,514,711	\$128,600	(\$6,386,111)	(98.0%)	Reflects Three-Share Rider appropriations made in 2020-21 biennium. 2022-23 appropriations based on approved Rider language.
Total, Goal B, FAIR, COMPETITIVE, & STABLE MARKET	\$61,985,557	\$56,710,780	(\$5,274,777)	(8.5%)	
FIRE MARSHAL C.1.1	\$9,609,526	\$9,632,078	\$22,552	0.2%	
Total, Goal C, REDUCE INCIDENTS OF FIRE	\$9,609,526	\$9,632,078	\$22,552	0.2%	
OVERSIGHT AND COMPLIANCE D.1.1	\$14,635,678	\$15,650,278	\$1,014,600	6.9%	Net funding for workers' compensation system modernization efforts due to rent savings from termination of DWC Metro building lease in 2022-23 biennium.
DISPUTE RESOLUTION D.1.2	\$19,838,194	\$13,143,160	(\$6,695,034)	(33.7%)	\$6.0 million reduction due to General Revenue-Dedicated Fund 36 being subject to the five percent reduction in the 2022-23 biennium. Agency Exceptional Item requests adjustment of reduction allocation across strategies.
					Anticipated decrease to Appropriated Receipts for designated doctor conferences not expected in 2022-23 biennium and net impact of budget realignments to other Strategies.
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$15,730,987	\$15,715,288	(\$15,699)	(0.1%)	
WORKERS COMPENSATION FRAUD D.1.4	\$2,151,293	\$2,105,401	(\$45,892)	(2.1%)	
HEALTH AND SAFETY SERVICES D.2.1	\$7,864,846	\$7,679,423	(\$185,423)	(2.4%)	Net impact of budget realignment from other Strategies and increase to Federal Funds due to additional grant monies.
CUSTOMER SERVICE & INFORMATION MGMT D.2.2	\$17,397,878	\$17,387,727	(\$10,151)	(0.1%)	

Department of Insurance
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments (Optional)
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$77,618,876	\$71,681,277	(\$5,937,599)	(7.6%)	
CENTRAL ADMINISTRATION E.1.1	\$15,075,500	\$14,959,356	(\$116,144)	(0.8%)	
INFORMATION RESOURCES E.1.2	\$32,963,609	\$32,941,483	(\$22,126)	(0.1%)	
OTHER SUPPORT SERVICES E.1.3	\$11,142,847	\$11,570,792	\$427,945	3.8%	Net impact of agency costs associated with move to Capitol Complex.
Total, Goal E, INDIRECT ADMINISTRATION	\$59,181,956	\$59,471,631	\$289,675	0.5%	
CONTINGENCY REGULATORY RESPONSE 6.1.1	\$0	\$0	\$0	0.0%	
Total, Goal 6, REGULATORY RESPONSE	\$0	\$0	\$0	0.0%	
CONTINGENCY HEALTH INS RISK POOL 7.1.1	\$42,827,477	\$0	(\$42,827,477)	(100.0%)	Health Insurance Risk Pool expires in August, 2021 without further legislative action.
Total, Goal 7, HEALTH INSURANCE RISK POOL	\$42,827,477	\$0	(\$42,827,477)	(100.0%)	
Grand Total, All Strategies	\$281,224,485	\$227,349,584	(\$53,874,901)	(19.2%)	

Department of Insurance
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2019	Estimated 2020	Budgeted 2021	Recommended 2022	Recommended 2023
Cap	1,375.7	1,350.2	1,351.7	1,210.0	1,210.0
Actual/Budgeted	1,156.3	1,127.8	1,231.2	NA	NA

Schedule of Exempt Positions (Cap)					
Commissioner of Insurance, Group 7 (\$217,139)	\$207,443	\$217,139	\$217,139	\$217,139	\$217,139
Commissioner of Workers' Compensation, Group 6 (\$169,111)	\$164,000	\$169,111	\$169,111	\$169,111	\$169,111

Notes:

- a) State Auditor's Office is the source for the FY 2019 and FY 2020 annual average (actual) FTE levels.
- b) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 20-706, August 2020), indicates a market average salary of \$229,466 for the Commissioner of Insurance position and \$179,233 for the Commissioner of Workers' Compensation position at TDI. The agency is not requesting any changes to its exempt positions.