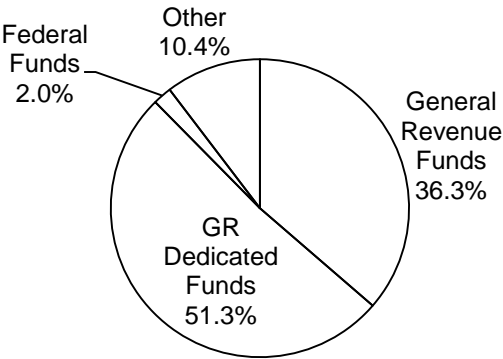


Section 1

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$78,225,482	\$81,201,761	\$2,976,279	3.8%
GR Dedicated Funds	\$118,508,989	\$114,578,419	(\$3,930,570)	(3.3%)
Total GR-Related Funds	\$196,734,471	\$195,780,180	(\$954,291)	(0.5%)
Federal Funds	\$6,231,673	\$4,533,442	(\$1,698,231)	(27.3%)
Other	\$54,927,366	\$23,154,592	(\$31,772,774)	(57.8%)
All Funds	\$257,893,510	\$223,468,214	(\$34,425,296)	(13.3%)

RECOMMENDED FUNDING
BY METHOD OF FINANCING



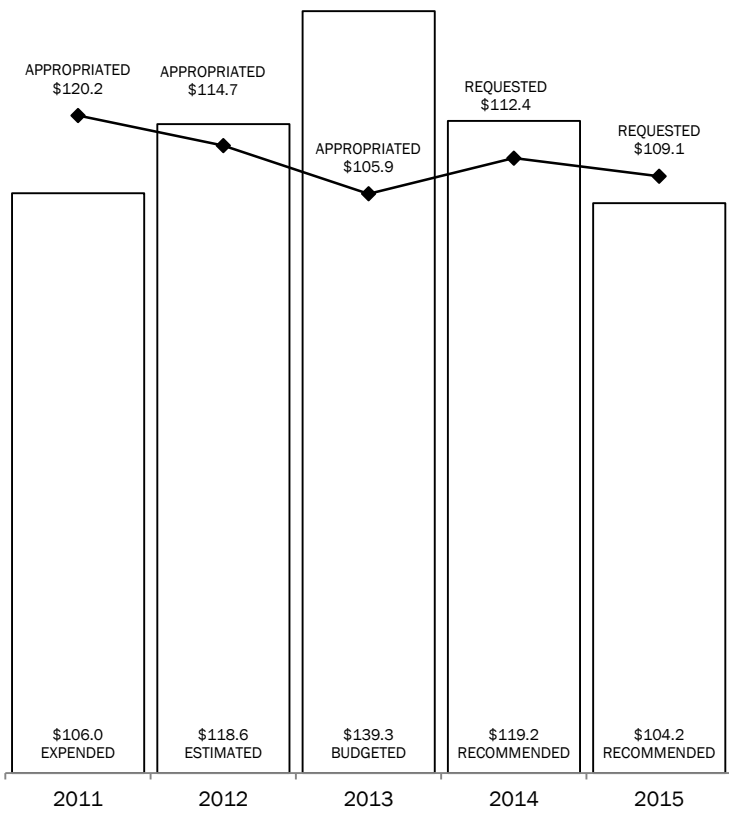
	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs	1,481.3	1,654.2	172.9	11.7%

The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.

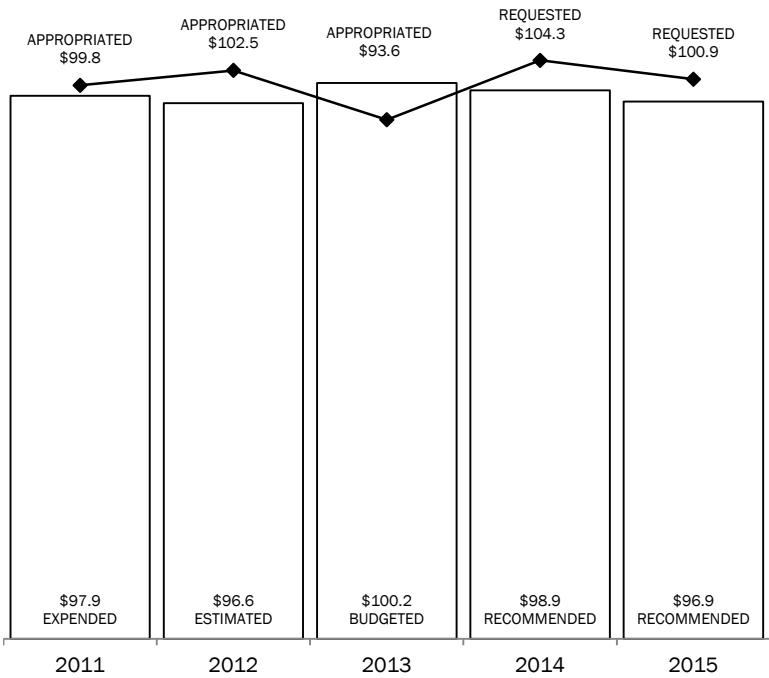
Section 1
Department of Insurance
2014-2015 BIENNIUM
IN MILLIONS

TOTAL= \$223.5 MILLION

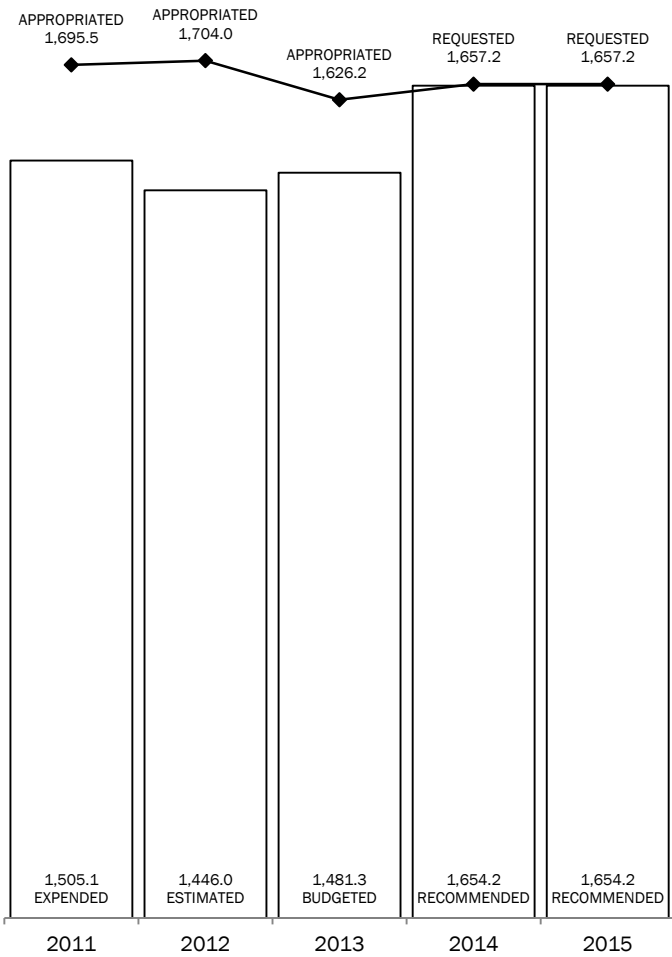
ALL FUNDS



GENERAL REVENUE AND
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CONSUMER EDUCATION AND OUTREACH A.1.1	\$15,079,104	\$15,299,942	\$220,838	1.5%	
RESOLVE COMPLAINTS A.2.1	\$6,298,926	\$5,889,760	(\$409,166)	(6.5%)	
INVESTIGATION AND ENFORCEMENT A.2.2	\$6,223,951	\$6,497,372	\$273,421	4.4%	
INSURER FRAUD A.2.3	\$3,198,622	\$3,221,564	\$22,942	0.7%	
PROVIDER AND CONSUMER FRAUD A.2.4	\$2,889,071	\$2,965,112	\$76,041	2.6%	
WORKERS COMPENSATION FRAUD A.2.5	\$475,193	\$524,044	\$48,851	10.3%	
PROCESS RATES, FORMS & LICENSES A.3.1	\$22,588,015	\$21,414,136	(\$1,173,879)	(5.2%)	
PROMOTE UNDERSERVED COVERAGE A.3.2	\$352,399	\$345,116	(\$7,283)	(2.1%)	
TEXAS.GOV A.3.3	\$845,215	\$760,000	(\$85,215)	(10.1%)	
CERTIFY SELF-INSURANCE A.3.4	\$1,310,962	\$1,361,228	\$50,266	3.8%	
LONG-TERM CARE A.4.1	\$329,128	\$329,592	\$464	0.1%	
THREE-SHARE PROGRAMS A.4.2	\$885,545	\$887,428	\$1,883	0.2%	
HEALTHY TEXAS A.4.3	\$44,089,205	\$13,150,000	(\$30,939,205)	(70.2%)	
LOSS CONTROL PROGRAMS A.5.1	\$5,219,147	\$5,178,230	(\$40,917)	(0.8%)	
Total, Goal A, ACCESS TO AFFORDABLE INSURANCE	\$109,784,483	\$77,823,524	(\$31,960,959)	(29.1%)	
INSURERS FINANCIAL CONDITION B.1.1	\$19,210,544	\$13,836,649	(\$5,373,895)	(28.0%)	
Total, Goal B, PROMOTE INSURER FINANCIAL STRENGTH	\$19,210,544	\$13,836,649	(\$5,373,895)	(28.0%)	
FIRE MARSHALL C.1.1	\$8,640,043	\$8,051,938	(\$588,105)	(6.8%)	
FIRE PROTECTION C.1.2	\$3,921,026	\$3,592,118	(\$328,908)	(8.4%)	
Total, Goal C, REDUCE LOSSES DUE TO FIRE	\$12,561,069	\$11,644,056	(\$917,013)	(7.3%)	
OVERSIGHT AND ENFORCEMENT D.1.1	\$11,121,622	\$10,669,268	(\$452,354)	(4.1%)	
DISPUTE RESOLUTION D.1.2	\$29,231,919	\$28,763,846	(\$468,073)	(1.6%)	
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$9,893,829	\$9,003,842	(\$889,987)	(9.0%)	
HEALTH AND SAFETY SERVICES D.2.1	\$7,674,627	\$7,461,552	(\$213,075)	(2.8%)	
CUSTOMER SERVICE & RECORDS ADMIN D.2.2	\$10,681,441	\$10,759,036	\$77,595	0.7%	
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$68,603,438	\$66,657,544	(\$1,945,894)	(2.8%)	
CENTRAL ADMINISTRATION E.1.1	\$20,376,155	\$20,334,390	(\$41,765)	(0.2%)	
INFORMATION RESOURCES E.1.2	\$20,869,451	\$22,165,477	\$1,296,026	6.2%	
OTHER SUPPORT SERVICES E.1.3	\$6,488,370	\$6,606,574	\$118,204	1.8%	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
Total, Goal E, INDIRECT ADMINISTRATION	\$47,733,976	\$49,106,441	\$1,372,465	2.9%	
CONTINGENCY REGULATORY RESPONSE F.1.1	\$0	\$4,400,000	\$4,400,000	100.0%	
Total, Goal F, REGULATORY RESPONSE	\$0	\$4,400,000	\$4,400,000	100.0%	
Grand Total, All Strategies	\$257,893,510	\$223,468,214	(\$34,425,296)	(13.3%)	Recommendations: <ul style="list-style-type: none">• Decrease Other Funds by \$30,939,205 due to the elimination of the Health and Human Services Commission inter-agency contract for the Healthy Texas Program and the Premium Stabilization Funds (see Selected Fiscal and Policy Issue #4).• Decrease Federal Funds by \$1,778,448 due to the elimination of federal funding for the Affordable Care Act-Consumer Assistance Program Grant, which ended April 2012 and one-time Byrne Justice Assistance (Stimulus) and Assistance to Firefighters grant awards.• Decrease General Revenue Dedicated Department of Insurance Operating Account No.36 by \$4,933,523 and General Revenue-Insurance Maintenance Tax by \$440,372 as a result of Senate Bill 1291, which transferred funds to the Financial Department Fund held in the Texas Safekeeping Trust Company (see Selected Fiscal and Policy Issues #2).• Decrease General Revenue by \$300,000, General Revenue-Dedicated by \$5,988, and Other Funds by \$22,920 from the total 2012-13 base funding due to a decrease in staffing and salaries related to the transfer of the Texas Commission on Fire Protection to TDI (see Selected Fiscal and Policy Issues #3).• Increase General Revenue-Insurance Maintenance Tax by \$2,860,000 and General Revenue-Dedicated Fund 36 by \$1,540,000 for a Contingency Regulatory Response Rider, which will be activated if there is a significant change in the insurance regulatory environment (see Selected Fiscal and Policy Issues #7 and Rider Highlights #19).

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CONSUMER EDUCATION AND OUTREACH A.1.1	\$4,570,253	\$4,663,848	\$93,595	2.0%	
RESOLVE COMPLAINTS A.2.1	\$4,206,749	\$4,079,896	(\$126,853)	(3.0%)	
INVESTIGATION AND ENFORCEMENT A.2.2	\$4,344,863	\$4,500,794	\$155,931	3.6%	
INSURER FRAUD A.2.3	\$2,190,682	\$2,222,754	\$32,072	1.5%	
PROVIDER AND CONSUMER FRAUD A.2.4	\$1,944,595	\$2,045,108	\$100,513	5.2%	
WORKERS COMPENSATION FRAUD A.2.5	\$0	\$0	\$0	0.0%	
PROCESS RATES, FORMS & LICENSES A.3.1	\$15,119,611	\$14,835,340	(\$284,271)	(1.9%)	
PROMOTE UNDERSERVED COVERAGE A.3.2	\$247,401	\$239,066	(\$8,335)	(3.4%)	
TEXAS.GOV A.3.3	\$13,040	\$13,040	\$0	0.0%	
CERTIFY SELF-INSURANCE A.3.4	\$0	\$0	\$0	0.0%	
LONG-TERM CARE A.4.1	\$329,128	\$329,592	\$464	0.1%	
THREE-SHARE PROGRAMS A.4.2	\$0	\$0	\$0	0.0%	
HEALTHY TEXAS A.4.3	\$150,388	\$150,000	(\$388)	(0.3%)	
LOSS CONTROL PROGRAMS A.5.1	\$3,647,684	\$3,587,012	(\$60,672)	(1.7%)	
Total, Goal A, ACCESS TO AFFORDABLE INSURANCE	\$36,764,394	\$36,666,450	(\$97,944)	(0.3%)	Recommendations reflect reallocations in alignment with the agency's request due to internal reorganization and prioritization.
INSURERS FINANCIAL CONDITION B.1.1	\$12,952,730	\$12,512,358	(\$440,372)	(3.4%)	
Total, Goal B, PROMOTE INSURER FINANCIAL STRENGTH	\$12,952,730	\$12,512,358	(\$440,372)	(3.4%)	The reduction is attributable to the implementation of SB 1291, which transferred funds outside the treasury (see Selected Fiscal and Policy Issues #2).
FIRE MARSHALL C.1.1	\$5,623,401	\$5,577,658	(\$45,743)	(0.8%)	
FIRE PROTECTION C.1.2	\$3,767,118	\$3,467,118	(\$300,000)	(8.0%)	Recommendations reflect a reduction from the total 2012-13 base funding due to a decrease in staffing and salaries related to the transfer of the Texas Commission on Fire Protection to TDI (see Selected and Fiscal Policy Issues #3).
Total, Goal C, REDUCE LOSSES DUE TO FIRE	\$9,390,519	\$9,044,776	(\$345,743)	(3.7%)	
OVERSIGHT AND ENFORCEMENT D.1.1	\$0	\$0	\$0	0.0%	
DISPUTE RESOLUTION D.1.2	\$0	\$0	\$0	0.0%	
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$0	\$0	\$0	0.0%	
HEALTH AND SAFETY SERVICES D.2.1	\$0	\$0	\$0	0.0%	
CUSTOMER SERVICE & RECORDS ADMIN D.2.2	\$0	\$0	\$0	0.0%	
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$0	\$0	\$0	0.0%	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CENTRAL ADMINISTRATION E.1.1	\$8,304,344	\$8,307,192	\$2,848	0.0%	Recommendations reflect an increase of \$789,551 from General Revenue Insurance Companies Maintenance Tax for the 2014-15 biennium to maintain current Data Center Service levels and the reallocation of resources for increased telecommunications, rent, and other operating costs (see Selected Fiscal and Policy Issues #5).
INFORMATION RESOURCES E.1.2	\$8,208,531	\$9,181,547	\$973,016	11.9%	
OTHER SUPPORT SERVICES E.1.3	\$2,604,964	\$2,629,438	\$24,474	0.9%	
Total, Goal E, INDIRECT ADMINISTRATION	\$19,117,839	\$20,118,177	\$1,000,338	5.2%	
CONTINGENCY REGULATORY RESPONSE F.1.1	\$0	\$2,860,000	\$2,860,000	100.0%	Recommendations reflect an increase to provide a Contingency Regulatory Response Rider, which will be activated if there is a significant change in the insurance regulatory environment (see Selected Fiscal and Policy Issues #7 and Rider Highlights #19).
Total, Goal F, REGULATORY RESPONSE	\$0	\$2,860,000	\$2,860,000	100.0%	
Grand Total, All Strategies	\$78,225,482	\$81,201,761	\$2,976,279	3.8%	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- GR DEDICATED

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CONSUMER EDUCATION AND OUTREACH A.1.1	\$1,535,331	\$1,617,070	\$81,739	5.3%	
RESOLVE COMPLAINTS A.2.1	\$1,795,312	\$1,809,864	\$14,552	0.8%	
INVESTIGATION AND ENFORCEMENT A.2.2	\$1,879,088	\$1,996,578	\$117,490	6.3%	
INSURER FRAUD A.2.3	\$936,169	\$986,026	\$49,857	5.3%	
PROVIDER AND CONSUMER FRAUD A.2.4	\$828,101	\$907,220	\$79,119	9.6%	
WORKERS COMPENSATION FRAUD A.2.5	\$475,193	\$524,044	\$48,851	10.3%	
PROCESS RATES, FORMS & LICENSES A.3.1	\$6,461,738	\$6,578,796	\$117,058	1.8%	
PROMOTE UNDERSERVED COVERAGE A.3.2	\$104,998	\$106,050	\$1,052	1.0%	
TEXAS.GOV A.3.3	\$832,175	\$746,960	(\$85,215)	(10.2%)	The reduction is attributable to a change in anticipated revenues in fiscal years 2014-15.
CERTIFY SELF-INSURANCE A.3.4	\$1,310,962	\$1,361,228	\$50,266	3.8%	
LONG-TERM CARE A.4.1	\$0	\$0	\$0	0.0%	
THREE-SHARE PROGRAMS A.4.2	\$885,545	\$887,428	\$1,883	0.2%	
HEALTHY TEXAS A.4.3	\$0	\$0	\$0	0.0%	
LOSS CONTROL PROGRAMS A.5.1	\$1,571,463	\$1,591,218	\$19,755	1.3%	
Total, Goal A, ACCESS TO AFFORDABLE INSURANCE	\$18,616,075	\$19,112,482	\$496,407	2.7%	Recommendations reflect reallocations in alignment with the agency's request due to internal reorganization and prioritization.
INSURERS FINANCIAL CONDITION B.1.1	\$6,007,814	\$1,074,291	(\$4,933,523)	(82.1%)	The reduction is attributable to the implementation of SB 1291, which transferred funds outside the treasury (see Selected Fiscal and Policy Issues #2).
Total, Goal B, PROMOTE INSURER FINANCIAL STRENGTH	\$6,007,814	\$1,074,291	(\$4,933,523)	(82.1%)	
FIRE MARSHALL C.1.1	\$2,595,517	\$2,474,280	(\$121,237)	(4.7%)	Recommendations reflect a reduction in fund balances from account 5138, Fire Prevention and Public Safety funds.
FIRE PROTECTION C.1.2	\$40,988	\$35,000	(\$5,988)	(14.6%)	Recommendations reflect a reduction from the total 2012-13 base funding due to a decrease in staffing and salaries related to the transfer of the Texas Commission on Fire Protection to TDI (see Selected and Fiscal Policy Issues #3).
Total, Goal C, REDUCE LOSSES DUE TO FIRE	\$2,636,505	\$2,509,280	(\$127,225)	(4.8%)	
OVERSIGHT AND ENFORCEMENT D.1.1	\$10,384,214	\$10,461,268	\$77,054	0.7%	
DISPUTE RESOLUTION D.1.2	\$29,087,919	\$28,619,846	(\$468,073)	(1.6%)	The decrease is attributable to a shift in resources for rent, utilities, and professional fees to cover increases in other strategies.

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- GR DEDICATED

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$9,893,829	\$9,003,842	(\$889,987)	(9.0%)	The reduction is attributable to a decrease in anticipated liabilities in fiscal years 2014-15.
HEALTH AND SAFETY SERVICES D.2.1	\$3,003,055	\$2,928,110	(\$74,945)	(2.5%)	
CUSTOMER SERVICE & RECORDS ADMIN D.2.2	\$10,263,441	\$10,341,036	\$77,595	0.8%	
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$62,632,458	\$61,354,102	(\$1,278,356)	(2.0%)	
CENTRAL ADMINISTRATION E.1.1	\$12,071,811	\$12,027,198	(\$44,613)	(0.4%)	The increase is attributable to the agency shifting resources for increased telecommunications, rent, and other operating costs.
INFORMATION RESOURCES E.1.2	\$12,660,920	\$12,983,930	\$323,010	2.6%	
OTHER SUPPORT SERVICES E.1.3	\$3,883,406	\$3,977,136	\$93,730	2.4%	
Total, Goal E, INDIRECT ADMINISTRATION	\$28,616,137	\$28,988,264	\$372,127	1.3%	
CONTINGENCY REGULATORY RESPONSE F.1.1	\$0	\$1,540,000	\$1,540,000	100.0%	Recommendations reflect an increase to provide a Contingency Regulatory Response Rider, which will be activated if there is a significant change in the insurance regulatory environment (see Selected Fiscal and Policy Issues #7 and Rider Highlights #19).
Total, Goal F, REGULATORY RESPONSE	\$0	\$1,540,000	\$1,540,000	100.0%	
Grand Total, All Strategies	\$118,508,989	\$114,578,419	(\$3,930,570)	(3.3%)	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- FEDERAL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CONSUMER EDUCATION AND OUTREACH A.1.1	\$0	\$0	\$0	0.0%	
RESOLVE COMPLAINTS A.2.1	\$296,865	\$0	(\$296,865)	(100.0%)	
INVESTIGATION AND ENFORCEMENT A.2.2	\$0	\$0	\$0	0.0%	
INSURER FRAUD A.2.3	\$49,535	\$0	(\$49,535)	(100.0%)	
PROVIDER AND CONSUMER FRAUD A.2.4	\$49,534	\$0	(\$49,534)	(100.0%)	
WORKERS COMPENSATION FRAUD A.2.5	\$0	\$0	\$0	0.0%	
PROCESS RATES, FORMS & LICENSES A.3.1	\$1,006,666	\$0	(\$1,006,666)	(100.0%)	
PROMOTE UNDERSERVED COVERAGE A.3.2	\$0	\$0	\$0	0.0%	
TEXAS.GOV A.3.3	\$0	\$0	\$0	0.0%	
CERTIFY SELF-INSURANCE A.3.4	\$0	\$0	\$0	0.0%	
LONG-TERM CARE A.4.1	\$0	\$0	\$0	0.0%	
THREE-SHARE PROGRAMS A.4.2	\$0	\$0	\$0	0.0%	
HEALTHY TEXAS A.4.3	\$0	\$0	\$0	0.0%	
LOSS CONTROL PROGRAMS A.5.1	\$0	\$0	\$0	0.0%	
Total, Goal A, ACCESS TO AFFORDABLE INSURANCE	\$1,402,600	\$0	(\$1,402,600)	(100.0%)	The reduction is attributable to the elimination of federal funding for the Affordable Care Act-Consumer Assistance Program Grant, which ended April 2012.
INSURERS FINANCIAL CONDITION B.1.1	\$0	\$0	\$0	0.0%	
Total, Goal B, PROMOTE INSURER FINANCIAL STRENGTH	\$0	\$0	\$0	0.0%	
FIRE MARSHALL C.1.1	\$375,848	\$0	(\$375,848)	(100.0%)	The reduction is attributable to a decrease in one-time Byrne Justice Assistance (Stimulus) and Assistance to Firefighters grant awards. (See Selected Fiscal and Policy Issues #6)
FIRE PROTECTION C.1.2	\$0	\$0	\$0	0.0%	
Total, Goal C, REDUCE LOSSES DUE TO FIRE	\$375,848	\$0	(\$375,848)	(100.0%)	
OVERSIGHT AND ENFORCEMENT D.1.1	\$0	\$0	\$0	0.0%	
DISPUTE RESOLUTION D.1.2	\$0	\$0	\$0	0.0%	
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$0	\$0	\$0	0.0%	
HEALTH AND SAFETY SERVICES D.2.1	\$4,453,225	\$4,533,442	\$80,217	1.8%	The increase is attributable to the deobligation of grant funds in fiscal year 2012 and the reallocation of funds in fiscal years 2014-15.
CUSTOMER SERVICE & RECORDS ADMIN D.2.2	\$0	\$0	\$0	0.0%	
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$4,453,225	\$4,533,442	\$80,217	1.8%	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- FEDERAL FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CENTRAL ADMINISTRATION E.1.1	\$0	\$0	\$0	0.0%	
INFORMATION RESOURCES E.1.2	\$0	\$0	\$0	0.0%	
OTHER SUPPORT SERVICES E.1.3	\$0	\$0	\$0	0.0%	
Total, Goal E, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
CONTINGENCY REGULATORY RESPONSE F.1.1	\$0	\$0	\$0	0.0%	
Total, Goal F, REGULATORY RESPONSE	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$6,231,673	\$4,533,442	(\$1,698,231)	(27.3%)	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- OTHER FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
CONSUMER EDUCATION AND OUTREACH A.1.1	\$8,973,520	\$9,019,024	\$45,504	0.5%	
RESOLVE COMPLAINTS A.2.1	\$0	\$0	\$0	0.0%	
INVESTIGATION AND ENFORCEMENT A.2.2	\$0	\$0	\$0	0.0%	
INSURER FRAUD A.2.3	\$22,236	\$12,784	(\$9,452)	(42.5%)	
PROVIDER AND CONSUMER FRAUD A.2.4	\$66,841	\$12,784	(\$54,057)	(80.9%)	The reduction is attributable to an anticipated decrease of additional revenues from conferences.
WORKERS COMPENSATION FRAUD A.2.5	\$0	\$0	\$0	0.0%	
PROCESS RATES, FORMS & LICENSES A.3.1	\$0	\$0	\$0	0.0%	
PROMOTE UNDERSERVED COVERAGE A.3.2	\$0	\$0	\$0	0.0%	
TEXAS.GOV A.3.3	\$0	\$0	\$0	0.0%	
CERTIFY SELF-INSURANCE A.3.4	\$0	\$0	\$0	0.0%	
LONG-TERM CARE A.4.1	\$0	\$0	\$0	0.0%	
THREE-SHARE PROGRAMS A.4.2	\$0	\$0	\$0	0.0%	
HEALTHY TEXAS A.4.3	\$43,938,817	\$13,000,000	(\$30,938,817)	(70.4%)	The reduction is attributable to the elimination of the Health and Human Services Commission inter-agency contract for the Healthy Texas Program and the Premium Stabilization Funds (see Selected Fiscal and Policy Issue #4).
LOSS CONTROL PROGRAMS A.5.1	\$0	\$0	\$0	0.0%	
Total, Goal A, ACCESS TO AFFORDABLE INSURANCE	\$53,001,414	\$22,044,592	(\$30,956,822)	(58.4%)	
INSURERS FINANCIAL CONDITION B.1.1	\$250,000	\$250,000	\$0	0.0%	
Total, Goal B, PROMOTE INSURER FINANCIAL STRENGTH	\$250,000	\$250,000	\$0	0.0%	
FIRE MARSHALL C.1.1	\$45,277	\$0	(\$45,277)	(100.0%)	The reduction is attributable to one-time grant funding in fiscal year 2012 from the Office of the Governor.
FIRE PROTECTION C.1.2	\$112,920	\$90,000	(\$22,920)	(20.3%)	Recommendations reflect a reduction from the total 2012-13 base funding due to a decrease in staffing and salaries related to the transfer of the Texas Commission on Fire Protection to TDI (see Selected Fiscal and Policy Issues #3).
Total, Goal C, REDUCE LOSSES DUE TO FIRE	\$158,197	\$90,000	(\$68,197)	(43.1%)	
OVERSIGHT AND ENFORCEMENT D.1.1	\$737,408	\$208,000	(\$529,408)	(71.8%)	The reduction is attributable to the elimination of a workers compensation grant that is expected to be spent by the end of fiscal year 2013.
DISPUTE RESOLUTION D.1.2	\$144,000	\$144,000	\$0	0.0%	

Section 2

Department of Insurance
Summary of Recommendations - Senate, By Method of Finance -- OTHER FUNDS

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
SUBSEQUENT INJURY FUND ADMIN D.1.3	\$0	\$0	\$0	0.0%	The reduction is attributable to the anticipated reduction in conference fee collections in fiscal years 2014-15.
HEALTH AND SAFETY SERVICES D.2.1	\$218,347	\$0	(\$218,347)	(100.0%)	
CUSTOMER SERVICE & RECORDS ADMIN D.2.2	\$418,000	\$418,000	\$0	0.0%	
Total, Goal D, REGULATE WORKERS' COMP SYSTEM	\$1,517,755	\$770,000	(\$747,755)	(49.3%)	
CENTRAL ADMINISTRATION E.1.1	\$0	\$0	\$0	0.0%	
INFORMATION RESOURCES E.1.2	\$0	\$0	\$0	0.0%	
OTHER SUPPORT SERVICES E.1.3	\$0	\$0	\$0	0.0%	
Total, Goal E, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
CONTINGENCY REGULATORY RESPONSE F.1.1	\$0	\$0	\$0	0.0%	
Total, Goal F, REGULATORY RESPONSE	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$54,927,366	\$23,154,592	(\$31,772,774)	(57.8%)	

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Department of Insurance Selected Fiscal and Policy Issues – Senate

1. **Self Leveling Funding.** The agency is required by statute to adjust fees to generate revenue equivalent to its appropriations and the appropriations made to the Office of Injured Employee Counsel. Methods of finance subject to this requirement include the Insurance Companies Maintenance Tax and Insurance Department Fees deposited in the General Revenue Fund and the Texas Department of Insurance Operating Fund Account No. 036 (see Rider Highlights #16).
2. **Senate Bill 1291.** Senate Bill 1291, Eighty-second Legislature, Regular Session, 2011, provides the Texas Department of Insurance (TDI) with a self-directed budget for the limited purpose of funding expenses incurred by TDI's Financial Examinations and Actuarial Divisions while administering the statutorily required examination function. Article IX, Section 18.78, General Appropriations Act, 2011, reduced the agency's appropriations in fiscal year 2013 by \$7,421,489 from General Revenue-Dedicated Texas Department of Insurance Operating Fund Account No. 36 and the number of Full-time Equivalent (FTEs) positions in the agency's bill pattern by 85.8. The rider further directed the funds to be transferred to the Financial Department Fund held in the Texas Safekeeping Trust Company to implement the provisions of the legislation. Additionally, recommendations include a reduction of \$4,933,523 in Texas Department of Insurance Operating Fund Account No. 036 funds and \$440,372 in General Revenue-Insurance Maintenance Tax funds in fiscal years 2014-15 for appropriations made in fiscal year 2012 for TDI's financial examination's functions, which will now be administered outside the treasury.
3. **Texas Commission on Fire Protection.** Recommendations abolish the Texas Commission on Fire Protection (TCFP) and transfer the agency's funding and programmatic functions to TDI contingent on the enactment of legislation by the Eighty-third Legislature, 2013. The Commission's functions are to provide education and assistance to the fire service and to enforce statewide fire service standards. Recommendations reduce General Revenue Funds by \$150,000, General Revenue-Dedicated Funds by \$2,994, Other Funds by \$11,460, and 3.0 FTEs in each year of the 2014-15 biennium to reflect estimated cost savings resulting from the recommendation to abolish the agency (see Rider Highlights #21).

Recommendations for TCFP in the Introduced Bill for the Eighty-second legislative session included administratively attaching the agency to the Texas Department of Insurance. TCFP retained its autonomy based on agreements to effect changes in its administration and certification processes that were not successfully implemented.

4. **Healthy Texas Program Funding.** The Healthy Texas Program was created to help bridge the affordability gap for qualified uninsured small businesses and their employees. The program is designed to help subsidize the cost of providing coverage by using a state-funded pool, the Healthy Texas Small Employer Premium Stabilization Fund (Healthy Texas Fund), to reimburse carriers for some of their high-cost health care claims, thereby reducing costs for employees. Without this funding, insurance companies would be required to realize the full costs of health care claims and have to increase premium costs to employers and employees. In January 2014 as part of the Affordable Care Act (ACA), the federal government will establish a health insurance exchange in Texas, which will provide subsidies for qualified individuals, many of which are the same individuals currently participating in the Healthy Texas Program.

Recommendations reduce fiscal year 2014-15 funding for the Healthy Texas program by \$20,829,020 from the Healthy Texas Fund and \$10,109,797 from an inter-agency contract with the Texas Health and Human Services Commission, which is not expected to be continued in fiscal

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years 2014-15. The Healthy Texas Fund's source of funding is through appropriations or existing fund balances. Per Section 1508.251, Texas Insurance Code, once funds are no longer available for the purpose of paying claims, the Healthy Texas Program will cease to exist. The last appropriation of \$34,829,000 in General Revenue to the fund was made by the 81st Legislature. The fund balance at the end of fiscal year 2013 is anticipated to be \$13,000,000. Recommendations include the anticipated unexpended balance and amend Rider 18, Appropriation of Unexpended Balances: Healthy Texas Program, to provide unexpended balance authority between the 2012-13 and 2014-15 biennium for the Healthy Texas Fund for any amounts that exceed the anticipated balances (see Rider Highlights #18).

5.

Capital Budget Authority. Recommendations increase capital budget authority and funding for the Data Center Consolidation project by \$789,551 in Insurance Companies Maintenance Tax and Insurance Department Fees in fiscal years 2014-15 due to cost increases for current service levels identified by the Department of Information Resources (see Rider Highlights #2).

6.

Federal Funds Decrease. Recommendations reflect a decrease in Federal Funds by \$1,698,231 in fiscal years 2014-15 for the Consumer Assistance Grant Program (\$1,322,383), the Assistance to Firefighters Grant (\$285,048), and one-time funding from the ARRA-Byrne Justice Assistance Grant (\$90,800). Federal funding for these grants are not expected in fiscal years 2014-15.

7.

Contingency Appropriation: State Regulatory Response Rider. Recommendations continue the agency's 2012-13 Contingency Regulatory Response Rider. The rider could be activated for a significant change in the insurance regulatory environment, demands of federal healthcare reform implementation, a weather related disaster in Texas, a public health crisis, a fire that has been declared as a disaster situation, and non-weather related disasters (see Rider Highlights #19).

8.

Three-Share Premium Assistance Program. Recommendations include additional appropriation authority of \$42,678 in fiscal years 2014-15 from General Revenue Insurance Companies Maintenance Tax and Insurance Department Fees for increased operating costs related to awarding grants to local government entities for the research, planning, development, and continuation of "three-share" premium assistance programs to increase access to private healthcare coverage for the uninsured. Recommendations do not include the agency's request for unexpended balance authority between the 2012-13 and 2014-15 biennium or between fiscal years 2014 and 2015 (see Rider Highlights #14 and Items not Included in Recommendations #6).

9.

Subsequent Injury Fund. Recommendations include appropriations of \$9,003,842 over the biennium from the General Revenue-Dedicated Subsequent Injury Account No. 5101. This is a decrease of \$889,987 from 2012-13 spending levels in alignment with the agency's request. Revenue is received from compensable death benefit payments for claims in which there is no beneficiary. The funds are expended for the payment of lifetime income benefits to eligible injured workers for their second injury, reimbursements to insurance carriers for overpayment of benefits, and multiple employment reimbursements when the worker is injured on one job and out of work on both jobs. If liabilities exceed appropriations, the agency may submit a finding of fact to the Comptroller of Public Accounts. If the Comptroller approves the finding of fact, the appropriations will increase to pay claims as needed.

10.

Unexpended Balance Authority. Recommendations amend the agency's unexpended balance rider to include language that allows the agency to seek additional unexpended balance authority through Article IX, Section 14.05, Unexpended Balance Authority, above the 5 percent limit currently granted to the agency (see Rider Highlights #12).

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- 11. **Staffing Levels.** Recommendations include an increase of 172.9 FTEs above fiscal year 2013 levels to provide for a Contingency Appropriation State Regulatory Response Rider (40.0 FTEs), the transfer of the Commission on Fire Protection to TDI (28.0 FTEs), and to retain 104.9 positions that were vacant in 2013 due to turnover.
- 12. **Budget Structure Changes.** Recommendations include amending the agency’s budget structure to reflect organizational changes affected under new agency leadership and for recommendations transferring the Texas Commission on Fire Protection discussed above in item #3. Apart from this change, recommendations retain the same number of Goals and Strategies, but reallocate 3 strategies from Goal B, Promote Insurer Financial Health to Goal A, Access to Affordable Insurance.

Section 4

Texas Department of Insurance (TDI)
Performance Review and Policy Report Highlights

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
Reduce the Number of Uninsured Drivers by Establishing a Low-Income Auto Insurance Program	395					
1. Amend statute to create a low-income auto insurance program to be administered by the Texas Department of Insurance (TDI) and include a contingency rider appropriating General Revenue Funds to TDI for the establishment of a low-income automobile insurance program and directing TDI to report quarterly on non-key performance measures added to ABEST.		(\$1,000,000)	1,000,000	GR		Amend Statute Adopt Contingency Rider
2. Include a contingency rider in Article IX requiring TDI, the Department of Motor Vehicles, Texas Department of Public Safety, and Texas Commission on Environmental Quality to inform uninsured drivers of the low-income automobile insurance program as part of programs already in place at each of these agencies.						Amend Statute Adopt Contingency Rider

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Department of Insurance Rider Highlights – Senate

2. **Capital Budget.** Recommendations increase capital budget authority and funding for the Data Center Consolidation project by \$789,551 in Insurance Companies Maintenance Tax and Insurance Department Fees in fiscal years 2014-15 due to cost increases for current service levels identified by the Department of Information Resources (see Selected Fiscal and Policy Issues #5).
7. (former) **Travel Cap.** Recommendations delete this rider. This recommendation conforms to general staff recommendations regarding travel limitations.
12. **Appropriation of Unexpended Balance.** Recommendations amend the rider to include language that allows the agency to seek additional unexpended balance authority above the 5 percent granted in the current rider by submitting a request to the Legislative Budget Board pursuant to Article IX, Section 14.05(2) of the General Appropriations Act.
14. **Three-Share Premium Assistance Programs.** Recommendations include additional appropriation authority of \$42,678 in fiscal years 2014-15 from General Revenue Insurance Companies Maintenance Tax and Insurance Department Fees for increased operating costs related to awarding grants to local government entities for the research, planning, development, and continuation of “three-share” premium assistance programs to increase access to private healthcare coverage for the uninsured (see Selected Fiscal and Policy Issues #8 and Items Not Included #6).
16. **Self-leveling Agency Fee Change Notification.** Recommendations clarify that the provisions of the rider apply to fee adjustments for General Revenue- Insurance Companies Maintenance Tax and Insurance Department Fees and General Revenue-Dedicated Department of Insurance Operating Account No.36.
17. (former) **Sunset Contingency.** Recommendations delete this rider. The rider made fiscal year 2013 appropriations contingent on the continuation of the Texas Department of Insurance (TDI) by the Eighty-second Legislature. House Bills 1951, Eighty-second Legislature, 2011, continued TDI for 12 years through September 1, 2023 and House Bill 2605, Eighty-second Legislature, 2011, continued the division of Workers’ Compensation of TDI for 6 years through September 2017.
18. (former) **Contingency for Healthcare Payment and Delivery Reform Pilot Program.** Recommendations delete this rider. The provisions were contingent on the enactment of either House Bill 3790 or Senate Bill 1811, Eighty-second Legislature, 2011, and neither was enacted.
18. (new) **Appropriation of Unexpended Balances: Healthy Texas Program.** Recommendations amend this rider to provide unexpended balance authority between bienniums for anticipated balances included in the recommendations (see Selected Fiscal and Policy Issues #4).

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19. (former) **Estimation of Cost Related to an Insurance Exchange.** Recommendations delete this rider. The rider required the agency to conduct an analysis of the costs associated with the state operating and maintaining a health insurance exchange and report to the Governor and the Legislative Budget Board their findings no later than 90 days after federal rules are finalized or by December 31, 2012, whichever came first. On December 28, 2012, the agency issued its findings in a report titled, "Estimation of Cost to Maintain Texas Mandated Health Benefits."
19. (new) **Contingency Appropriation: State Regulatory Response.** Recommendations retain the rider providing the agency with a contingent appropriation of \$1,352,076 in General Revenue-Insurance Companies Maintenance Tax funds and \$3,047,924 in General Revenue-Dedicated Department of Insurance Operating Account No.36 for the 2014-15 biennium and 40.0 FTEs in each fiscal year to be activated for a significant change in insurance regulatory environment, demands of federal healthcare reform implementation, a weather related disaster in the State of Texas, a public health crisis, a fire that has been declared as a disaster situation, and non-weather related disasters (see Selected Fiscal and Policy Issues #7).
21. **Contingency Requiring Statutory Change: Texas Commission on Fire Protection Administration.** Recommendations include a new rider making appropriations for the functions of fire protection in Strategy C.1.2, Fire Protection, contingent on the enactment of legislation transferring the functions and responsibilities of the Texas Commission on Fire Protection (TCFP) to the Department of Insurance. The new rider also provides an estimated appropriation for certain license plate revenues as well as necessary restrictions on funding for fire protection and fire management training that is also contingent on the enactment of legislation. The rider also provides for all funds conditionally transferred to the Department of Insurance to be appropriated to TCFP in addition to \$150,000 in General Revenue with an increase of 3 FTEs each fiscal year if the required legislation is not enacted (see Selected Fiscal and Policy Issues #3).
24. (former) **Fire Safety Cigarette's Penalties.** Recommendations delete this rider in alignment with the agency's request. No additional penalty revenue is expected in fiscal years 2014-15.

Section 6

Department of Insurance
Items not Included in Recommendations - Senate

In Agency Priority Order

		2014-15 Biennial Total	
		GR & GR-Dedicated	All Funds
1.	GR-Maintenance Tax and GR-D No.36 funding to restore the agency's information technology obsolescence plan, which includes the replacement of obsolete hardware such as monitors, desktops and laptops, as well as updating software to remain compatible with outside entities and ensuring the use of versions of software with available support.	\$2,468,175	\$2,468,175
2.	GR-Maintenance Tax and General Revenue-Dedicated Department of Insurance Operating Account No.36 (GR-D No.36) funding to implement agency initiatives for Data Center Services above current levels of service, which include procurement of software licenses, servers, and ongoing maintenance and support to decrease congestion for databases and network traffic, as well as increase website reliability and increase security.	\$421,445	\$421,445
3.	GR-D No.36 funding to Texas' cost to participate in the Workers' Compensation Research Institute's (WCRI) annual CompScope multi-state benchmarking program and allow the agency access to all of the WCRI's reports and data collected.	\$390,000	\$390,000
4.	GR-Maintenance Tax and GR-D No.36 funding to replace the existing Capitol Complex Telephone System (CCTS) with an upgraded call processing system. The current CCTS equipment and system was brought online in 1985.	\$1,415,751	\$1,415,751
5.	State Highway Fund 6 funding to maintain current services for the TexasSure Vehicle Insurance Verification Program, which will pay for increased costs associated with contracted maintenance and operational costs, and increased postage costs.	\$ -	\$1,692,973
6.	Amend Rider 14 related to the Three-Share Premium Assistance Program to appropriate unexpended balances remaining at the end of the 2012-13 biennium for the same purpose during the 2014-15 biennium and allow for the transfer of unexpended balances at the end of fiscal year 2014 to fiscal year 2015 (see Selected and Fiscal Policy Issues #8).	\$ -	\$ -
Total, Items Not Included in the Recommendations		\$ 2,227,196	\$ 3,920,169