

V. Funding

A. Provide a brief description of your agency's funding.

The Texas Department of Insurance (TDI) is primarily funded from two accounts within the General Revenue fund. The agency's operations are primarily funded by TDI's operating account (Account 36). The Subsequent Injury Fund (appropriated fund 5101) is used to pay lifetime benefits to workers suffering subsequent injuries and to reimburse insurance carrier claims.

Account 36 is funded by collections from two primary sources:

- The Comptroller of Public Accounts collects insurance company maintenance taxes and fees and deposits the revenues first into General Revenue Fund 001 and then transfers the funds into Account 36.
- TDI collects user fees, such as insurance company filing fees, licensing fees, and examination fees, and deposits them directly into Account 36. Additionally, certified self-insurer taxes and federal funds are revenue sources for Account 36.

Maintenance taxes are a primary source of funding for Account 36. The maintenance taxes also provide supplemental funding to other agencies as dictated by appropriations by the Legislature. The Texas Insurance Code requires the Commissioner of Insurance to set maintenance tax rates each year for nine lines of insurance in order to generate sufficient revenues to fund the difference between projected revenues from non-maintenance tax sources and projected Account 36 expenditures. This mechanism ensures that enough funding is generated to cover the appropriations passed by the Legislature, and it is designed to be self correcting, as discussed below.

At the end of each fiscal year, Account 36 contains a substantial fund balance to cover continuing expenditures until maintenance taxes are collected and credited by the Comptroller in April or May, when the Account is usually at its lowest balance. In years when the maintenance taxes produce more revenue than is spent from the Account, by statute the unspent funds remain in the Account and the maintenance tax rates are set to recover a lower level of revenue the following year. In other words, the statute governing the operation of Account 36 contemplates that revenue collection be a self-correcting mechanism, collecting only the revenue needed for appropriations; any savings from current appropriations simply reduce the amount of maintenance taxes assessed against the insurance companies in the following year and do not result in a savings to General Revenue.

The source of revenue for the Subsequent Injury Fund is money from workers' compensation insurance carriers on the death of covered employees when no person entitled to compensation survives such employees.

B. List all riders that significantly impact your agency's budget.

Riders that significantly impact TDI are presented below. The description of each rider is the exact language included in the General Appropriations Act. For additional information, please see the General Appropriations Act for the 2006-2007 biennium.

Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for “Lease Payments to the Master Lease Purchase Program” or for items with a “(MLPP)” notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code, Section 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under “Acquisition of Information Resource Technologies” may be used to lease information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

Liquidation Oversight and Title Examiner Full-Time Equivalent Positions. In addition to the full-time equivalent positions authorized above, an additional 32.5 full-time equivalent positions are authorized for each year of the 2006-07 biennium to support liquidation oversight and title examiner activities. These positions are excluded from the FTE cap.

Appropriations Limited to Revenue Collections. The application of special provisions limiting appropriations to revenue collections elsewhere in this Article shall be consistent with relevant statutory provisions governing the agency’s assessment of tax rates and fees. As provided by the Texas Insurance Code, the Commissioner shall take into account unexpended funds in the preceding year when adjusting rates of assessment necessary to pay all expenses of regulating insurance and conducting the operations of the State Fire Marshal during the succeeding year.

Travel Cap. Out of the funds appropriated above, expenditures for out-of-state travel by the Texas Department of Insurance are limited to \$600,551 in fiscal year 2006 and \$600,551 in fiscal year 2007. Of these amounts, \$483,488 in fiscal year 2006 and \$483,488 in fiscal year 2007 shall be utilized solely for out-of-state travel for the purpose of financial examinations.

DWC-Related Riders:

Appropriation of Certain Fees. Revenues collected by the commission as reproduction fees, third party reimbursements, seminar fees, publication fees, and fees collected for audits, inspections, and consultations are estimated to be \$1,264,106 for fiscal year 2006 and \$1,271,270 for fiscal year 2007 are included in the above method of financing as Appropriated Receipts.

Appropriations Limited to Revenue Collections. It is the intent of the Legislature that revenues as authorized and generated by the commission cover, at a minimum, the cost of general revenue appropriations made above, as well as covering “other direct and indirect costs” associated with such general revenue appropriations. “Other direct and indirect costs” associated with such general revenue appropriations are estimated to be \$12,360,015 for fiscal year 2006 and \$12,724,257 for fiscal year 2007. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available. The application of this provision shall be consistent with applicable statutory provisions governing the commission’s assessment of tax rates and fees. When the commission sets the rate of assessment for the maintenance tax, it shall take into account a surplus or deficit produced by the tax in the preceding year and other factors as provided by Section 403.003, Labor Code, Rate of Assessment.

Appropriation of Unexpended Balances. Any unexpended balances as of August 31, 2006, not to exceed five percent for any item of appropriation, are hereby appropriated to the Division of Workers’ Compensation for the same purposes for the fiscal year beginning September 1, 2006.

Business Process Improvement. Of the amounts appropriated above to the Division of Workers' Compensation, an amount not to exceed \$3,560,000 for the biennium shall be used for the Business Process Improvement Project expenditures. As an exception to Rider 16: Appropriation of Unexpended Balances, the unexpended balances for the Business Process Improvement Project for the fiscal year ending August 31, 2006, not to exceed \$2,808,500, are hereby appropriated to the agency for the same purposes for the fiscal year ending August 31, 2007. If the amounts for the Business Process Improvement in Rider 2, Capital Budget are reduced by other provisions in this Act, this rider shall not take effect.

Subsequent Injury Fund. The amounts appropriated above in the Division of Workers' Compensation include an estimated \$3,670,140 in fiscal year 2006 and \$3,670,140 in fiscal year 2007 out of the GR Dedicated – Subsequent Injury Account No. 5101 for payment of liabilities pursuant to Labor Code, Chapter 403. In the event that actual liabilities exceed the estimated amounts, the Division of Workers' Compensation shall furnish information supporting the estimated additional liabilities to the Comptroller of Public Accounts. If the Comptroller finds that there are sufficient balances in the GR Dedicated – Subsequent Injury Account No. 5101 to support the payment of projected liabilities, a finding of fact to that effect shall be issued and a contingent appropriation shall be made available for the intended purposes.

Out-of-State Travel Cap Exemption. Out of the funds appropriated above, expenditures for out-of-state travel by the Division of Workers' Compensation are limited to \$51,146 in fiscal year 2006 and \$51,146 in fiscal year 2007. Notwithstanding any other provisions in this act, travel associated with federal programs and paid out of federal funds is exempt from this limitation.

C. Show your agency's expenditures by strategy.

Texas Department of Insurance Exhibit 5: Expenditures by Strategy Fiscal Year 2006			
Goal/Strategy		Total Amount	Contract Expenditures Included in Total Amount
111	Consumer Education And Market Analysis	\$3,641,305.17	\$377,519.79
112	Rates, Forms And Licenses	8,749,300.98	321,437.72
113	Underserved Coverage	158,340.50	6,292.76
121	Resolve Complaints	2,618,111.49	48,328.47
122	Investigations and Enforcement	3,267,996.96	167,939.61
123	Insurer Fraud	1,119,112.74	20,305.88
124	TexasOnline-Subscription Fees	365,895.00	0
211	Insurers' Financial Condition	10,954,566.59	337,005.82
311	Loss Control Programs	2,700,211.98	31,463.85
312	Provider and Consumer Fraud-	1,152,401.82	20,305.86
411	Fire Protection	3,639,940.45	62,457.94
511	Central Administration	6,761,533.87	329,653.18
512	Information Resources	7,676,983.52	2,116,478.20
513	Other Support Services	2,514,391.40	222,889.97
514	DWC Business Process Improvement	3,751,906.72	2,439,220.83
515	DWC Regional Administration	616,425.92	5,602.82

611	DWC Medical Cost Containment	1,939,104.31	110,455.20
621	DWC Investigation Compliance	2,381,729.34	6,998.89
631	DWC Develop Implementation Processes	6,186,206.22	155,556.84
641	DWC Regulate Self-Insurance	612,242.73	0
711	DWC Inform Benefit Dispute Resolution	7,859,915.60	84,172.74
712	DWC Inform Medical Dispute Resolution	1,240,212.26	9,441.59
713	DWC Formal Benefit Dispute Resolution	4,797,930.16	28,670.08
714	DWC Formal Medical Dispute Resolution	668,164.18	304,859.31
811	DWC Health and Safety Services	3,961,882.54	42,382.53
911	DWC Subsequent Injury Fund Disbursement	2,691,131.47	0
GRAND TOTAL:		\$92,026,943.92	\$7,249,439.88

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2006.

Texas Department of Insurance Exhibit 6: Objects of Expense - Fiscal Year 2006		
	Object-of-Expense	Amount
1001	Salaries & Wages	\$67,969,231.64
1002	Other Personnel Costs	3,053,437.90
2001	Professional Fees/Services	4,497,785.33
2002	Fuels and Lubricants	124,228.37
2003	Consumable Supplies	537,811.03
2004	Utilities	867,633.91
2005	Travel In-State	1,543,456.95
2006	Rent - Building	3,053,676.01
2007	Rent - Machine and Other	354,016.29
2009	Other Operating Expense	9,211,260.25
2105	Travel Out-of-State	491,008.01
5000	Capital Expenditures	323,398.23
	Total	\$92,026,943.92

A table presenting the agency objects of expense by program for each expense category is attached to TDI's Self-Evaluation Report.

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Texas Department of Insurance Exhibit 7: Sources of Revenue Fiscal Year 2006 (Actual)	
Source	Amount
General Revenue	
0001 General Revenue	\$5,790.00
0001 DWC Earned Federal Funds	224,406.00
8042 Maintenance Taxes	31,614,560.27
Subtotal, General Revenue	31,844,756.27
General Revenue Dedicated Funds	
0036 DWC Regular Operating Fund	\$37,847,434.47
0036 Insurance Operating Fund	16,019,250.59
5101 Subsequent Injury Fund	2,626,768.67
0036 GR ACCT – ROC on Workers' Compensation	418,008.75
Subtotal, General Revenue Dedicated	56,911,462.48
Federal Funds	
0036 DWC Federal Funds	\$2,027,826.06
Other Funds	
0036 DWC Appropriated Receipts	\$1,085,357.02
0036 DWC TMIC Grant	157,542.40
Subtotal, Other Funds	1,242,899.42
TOTAL	\$92,026,944.23

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

Texas Department of Insurance Exhibit 8: Federal Funds - Fiscal Year 2006 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
OSHA Data (4031)	0/100	0	\$75,125.15	\$75,125.15
BLS-ROSH (4041)	50/50	126,974.92	126,974.92	253,949.84
BLS-CFOI (4051)	50/50	54,735.24	54,735.27	109,470.51
OSHCN (4061)	10/90	192,317.81	1,770,990.72	1,963,308.53
TOTAL		\$374,027.95	\$2,027,826.06	\$2,401,854.01

G. If applicable, provide detailed information on fees collected by your agency.

The fees collected by the Texas Department of Insurance are listed in an attachment to TDI's Self-Evaluation Report.