



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0189	<b>Title:</b>	Revise hail insurance maximum
<b>Primary Sponsor:</b>	Lenz, Dennis R	<b>Status:</b>	Second Reading, Second House

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$1,101,935	\$2,798,964	\$2,798,964	\$2,798,964
<b>Revenue:</b>				
General Fund	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Other	\$1,897,709	\$3,684,055	\$3,684,055	\$3,684,055
<b>Net Impact-General Fund Balance:</b>	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>

### Description of fiscal impact:

HB 189 increases the maximum amount of hail insurance per acre of crops and would be phased in by the Department of Agriculture over two years. The hail insurance fund would experience increased revenues from premiums paid by policy holders and increased payments of benefits for damaged crops. HB 189 also reduces the collection fee percentage paid to the Department of Revenue and caps the transfer to the general fund.

### FISCAL ANALYSIS

#### Assumptions:

1. In FY 2014, the maximum amount of insurance would be \$62.50 or \$95 depending on the irrigation category. In FY 2015, the maximum amount of insurance would be \$75 or \$114.
2. The department assumes policy holders would choose the maximum coverage available. In FY 2014, this would generate an additional \$1,897,709 in premium revenues. In FY 2015, this would generate an additional \$3,684,055 in premium revenues.

3. To calculate benefits paid, the department used a 94% loss ratio - the highest loss ratio that occurred in the past 10 years. In FY 2014, this would amount to an additional \$1,161,944 in loss payments. In FY 2015, this would amount to an additional \$2,841,109 in loss payments.
4. HB 189 changes from 2% to 1% the collection fee paid by the Department of Agriculture to the Department of Revenue. In FY 2014, this collection fee would decrease by \$53,155. In FY 2015, this collection fee would decrease by \$35,291.
5. HB 189 caps the Department of Agriculture’s transfer to the general fund at \$100,000. In each year of the biennium, this transfer would decrease by \$6,854 compared to current law. In the last five years, the transfer to the general fund ranged between \$90,327 and \$112,971.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses - DOR	(\$53,155)	(\$35,291)	(\$35,291)	(\$35,291)
Benefits - AGR	\$1,161,944	\$2,841,109	\$2,841,109	\$2,841,109
Transfer to General Fund	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
<b>TOTAL Expenditures</b>	<u><u>\$1,101,935</u></u>	<u><u>\$2,798,964</u></u>	<u><u>\$2,798,964</u></u>	<u><u>\$2,798,964</u></u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$1,101,935	\$2,798,964	\$2,798,964	\$2,798,964
<b>TOTAL Funding of Exp.</b>	<u><u>\$1,101,935</u></u>	<u><u>\$2,798,964</u></u>	<u><u>\$2,798,964</u></u>	<u><u>\$2,798,964</u></u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Other	\$1,897,709	\$3,684,055	\$3,684,055	\$3,684,055
<b>TOTAL Revenues</b>	<u><u>\$1,890,855</u></u>	<u><u>\$3,677,201</u></u>	<u><u>\$3,677,201</u></u>	<u><u>\$3,677,201</u></u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Other	\$795,774	\$885,091	\$885,091	\$885,091

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Sponsor’s Initials

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Date

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Budget Director’s Initials

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Date