



**Colorado
Legislative
Council
Staff**

SB17-198

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0901
Prime Sponsor(s): Sen. Priola
Rep. Garnett

Date: September 13, 2017
Bill Status: Signed into Law
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: PUBLIC PARTICIPATE REVIEW ACQUIRE CONTROL INSURER

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$0</u>	<u>\$0</u>
<i>State Diversions</i>		
General Fund	(9,505)	(9,505)
Cash Funds	9,505	9,505
State Expenditures	<u>\$9,505</u>	<u>\$9,505</u>
Cash Funds	9,505	9,505
FTE Position Change	0.1 FTE	0.1 FTE
Appropriation Required: \$9,505 - Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: Ongoing expenditure increase and General Fund diversion.		

Summary of Legislation

Current law requires an opportunity for public notice and a hearing for proposed transactions that would result in the acquisition of control of a domestic insurer, which is one that is incorporated or formed pursuant to Colorado law. This bill expands public notice concerning the acquisition of a domestic insurer that offers health plans by requiring the Commissioner of Insurance to make certain information available for public inspection if the application presents prima facie evidence of a violation of the competitive standards established by law.

State Revenue

While the bill does not affect net state revenue, it does result in a diversion from the General Fund, as described below.

State diversions. This bill diverts \$9,505 per year from the General Fund beginning in FY 2017-18. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill affects workload and costs in the Department of Regulatory Agencies as follows.

Legal services. The bill increases costs in the Department of Regulatory Agencies by \$9,505 per year beginning in FY 2017-18. This cost is for 100 hours of legal services per year. In the first year, legal services are required to review processes and establish procedures for insurer acquisition under the bill, including for the review and redaction of information from data and reports that must be publicly disclosed. In future years, legal services are required to conduct the review and redaction of information from acquisition-related materials. The Department of Law, which will conduct this work using reappropriated funds, requires 0.1 FTE to provide these legal services.

The exact costs will vary depending on the number of acquisitions in a given year, which has fluctuated widely in recent year (currently there are three acquisitions under review, whereas there were none in the previous several years). Additional legal services may be required if legal action is pursued by the Division of Insurance or by an insurer to determine what constitutes confidential or proprietary information. Given this variance and the potential for additional legal service costs, the fiscal note assumes one acquisition per year, with each matter requiring 100 hours of legal services, as a reasonable baseline for future expenditures. To the extent additional resources are necessary, they will be requested through the annual budget process.

Document publication. The Department of Regulatory Agencies and the Office of Information Technology may have additional workload and costs to post additional data, reports, and notices online. These costs are assumed to be minimal and can be accomplished within existing appropriations.

Hearings. The bill will increase the number of public hearings held by Division of Insurance Staff concerning acquisitions involving foreign insurers. Given the irregular timing and relatively low number of these mergers, it is assumed that staff can accomplish this work within existing appropriations.

Effective Date

The bill was signed into law by the Governor and took effect on June 2, 2017. It applies to applications for proposed acquisitions of control filed on or after this date.

State Appropriations

Consistent with this fiscal note, for FY 2017-18, the bill requires and includes an appropriation of \$9,505 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund, of which the whole amount is reappropriated to the Department of Law. The Department of Law also requires an allocation of 0.1 FTE.

State and Local Government Contacts

Information Technology
Regulatory Agencies

Judicial
Secretary of State