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Revised Fiscal Note

(replaces fiscal note dated January 23, 2024)

Drafting Number: LLS 24-0192 Date: February 28, 2024
Prime Sponsors: Rep. Willford; Brown Bill Status: House Appropriations
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Bill Topic: CONSTRUCTION PROFESSIONAL INSURANCE COVERAGE TRANSPARENCY

Summary of Fiscal Impact: [] State Revenue [x] State Diversion [] Local Government
[x] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill commissions a statewide study of residential property developers' construction liability insurance. It creates a General Fund diversion and increases state expenditures in FY 2024-25 and FY 2025-26 only.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$339,803 to the Department of Regulatory Agencies.

Fiscal Note Status: This revised fiscal note reflects the introduced bill, as amended by the House Business Affairs & Labor Committee.

Table 1
State Fiscal Impacts Under HB 24-1083

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Diversions (General Fund, Cash Funds, Net Diversion), and Other Budget Impacts.

Summary of Legislation

The bill requires the Division of Insurance in the Department of Regulatory Agencies (DORA) to conduct or commission a statewide study of residential property developers' construction liability insurance. The study must identify:

- insurers offering construction liability policies to residential property developers in the state;
- rates and the basis for rates charged by insurers, to include three years of data, where available;
- risk factors, classifications, and loss cost multipliers that insurers use to set rates;
- a comparison of rates charged in other regional states for similar residential projects; and
- limitations or exclusions from coverage.

DORA must submit a report of the study's findings to the General Assembly by August 1, 2025.

State Diversion

This bill diverts General Fund to the Division of Insurance Cash Fund in FY 2024-25 and FY 2025-26. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in DORA by about \$348,000 in FY 2024-25 and about \$12,000 in FY 2025-26, paid from the Division of Insurance Cash Fund to collect data and hire and actuarial contractor to conduct the study. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1083

	FY 2024-25	FY 2025-26
Department of Regulatory Agencies		
Personal Services	\$39,803	\$9,951
Contract Study	\$300,000	-
Centrally Appropriated Costs ¹	\$8,531	\$2,133
Total Cost	\$348,334	\$12,084
Total FTE	0.4 FTE	0.1 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Staff. In FY 2024-25, DORA requires 0.3 FTE Actuary II to request, review, and analyze carrier data that is not currently required to be filed with the division, and to collect and analyze insurance rates in other states in the region. In FY 2024-25 and FY 2025-26, an additional 0.1 FTE Actuary II will hire and manage the contractor for the study. Staffing costs conclude in August 2025, upon delivery of the study.

Contract study. DORA requires an estimated \$300,000 to hire an actuarial firm to conduct market research on residential construction liability insurers, analyze coverage limits and exclusions, run data analyses of rates, and generate a report. Based on the level of detail required by the bill, the fiscal note assumes that a contractor will perform 750 hours of work at an estimated \$400 per hour. Actual costs will be determined through the contracting process. Expenditure for the contract study will be spent over two years.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to sales occurring on or after this date.

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$339,803 and 0.4 FTE from the Division of Insurance Cash Fund to the Department of Regulatory Agencies. Of this amount, \$300,000 requires roll-forward spending authority through FY 2025-26.

State and Local Government Contacts

Counties
Judicial

County Clerks
Regulatory Agencies

Information Technology

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).