

From the office of
Texas State Representative - Dan Flynn

THE FLYNN REPORT

Newsletter
January 31, 2004

Greetings constituents, supporters and friends:

I filed for re-election on December 9th and am looking forward to continuing the work on the programs I initiated during my first term as your Representative. The need to remedy complex issues such as public school finance and paring down inefficient areas of the bureaucracy will be of major importance.

A high point of the New Year for me has already been realized. No one filed to run against me, and I will not be facing a primary or general election opponent for my re-election bid. I am very blessed to have this opportunity to spend all my time working as your full time legislator.

Preparations are underway for an open house at our Greenville district office on Tuesday, February 17, 2004 in the Paul Mathew Exchange Building, Suite 802, across from the Hunt County Court House. This will be a good time to meet the newest member to our staff, Jeannie Prendergast. Among the details of the opening event, Jeannie will be taking care of the concerns of Hunt and Rains Counties and arranging meetings with constituents. Further details are forthcoming.

Additional high points of this new year include attending the annual Greenville Chamber Banquet, being a part of a workshop to encourage conservative candidates to run for public service, being honored along with Senator Bob Deuell by Texas A&M Commerce and attending a seminar by the Texas Public Policy Foundation to address the many issues and needs of our state.

I read with interest an article by Chris Patterson, Director of Research for the Texas Public Policy Foundation. She recently published an excellent article about school finance entitled, "Putting the Sides Together." I would like to share with you some of the excerpts from her article particularly as Governor Rick Perry has pledged to call a special session on school finance in the spring of 2004 with the hope of a meaningful consensus on public school finance reforms.

Ms. Patterson expresses that many have voiced concerns since the school finance system is now back in court facing what some perceive as the most serious challenge to its legality since the system was devised in 1993. She goes on to say that since the Texas Supreme Court recently returned a lawsuit filed by four property-rich school districts back to trial court (*West Orange-Cove Consolidated I.S.D. et al. v. Alanis et al.*). Ruling that the state school finance system would be unconstitutional if even one school district

is forced to tax at a maximum rate in order to meet state educational requirements, she believes the Supreme Court decision provides additional impetus for reform.

With the conclusion of the 78th Legislature's regular session, school finance has undergone intense scrutiny. Special committees have been meeting to take public testimony and to examine alternatives to the current school finance system. State and national experts have been commissioned to research questions about school finance, and testimony has been heard from educational associations, business leaders, policy groups, academicians and citizens. The issue has been extensively covered in the media and continues to be regularly focused with discussions in many community meetings around the state.

Policy leaders are pressing for reform believing the Texas Legislature will craft a far better system of school finance for Texas public schools than the courts could impose. Many elected officials have a laundry-list of objectives: reduce local property taxes, define the state's required program of instruction, and fund a substantial portion of what the court or legislature might identify as an "adequate education."

It appears Texans are ready to change the system that has funded public schools over the past decade. Often described as "Robin Hood" because local school taxes are redistributed from property "rich" to property "poor" districts, the state school finance system is widely criticized by groups across the political spectrum. This system will sunset in 2005.

As dissatisfaction with the method and level of public school funding grows, there are also signals of an impending taxpayer revolt. Property taxes have increased from \$2.8 billion in 1980 to \$13.6 billion in 2000 – a 367.1 percent increase (comparable to 8.5 percent compounded annually). Rising revenues from property taxes have increased the share of school funding shouldered by local communities while decreasing the state share; some policy leaders are calling for the state to provide more money for public schools.

Although support for school finance reform in Texas is widespread and fueled by a variety of criticisms, there is currently little evidence of agreement on what reforms should be introduced, or even how a new system of school finance should be constructed. Given the geographic, demographic, and economic diversity of Texas, this is not surprising. The readily apparent differences between school districts, and the enormous size of a state system of public education, diminish the likelihood of constructing a single structure to effectively meet the diverse needs of Texas' children.

But despite such challenges, there is broad commitment for school finance reform evident among legislators, and even interest in using the finance system as a vehicle to introduce fundamental changes in public education.

I want you to know I will be a part of working towards solving these challenges and will welcome your suggestions and comments especially from those involved in educating our greatest resource “our children”.

Texas Department of Insurance Commissioner José Montemayor recently sent legislators information regarding major insurance reform enacted by the Texas Legislature in 2003, providing a modern regulatory system. According to the Commissioner, the changes enacted by the legislature will provide the state with the tools to foster a more competitive, stable market and give consumers more choices.

These are some of changes and updates on the activities of the Texas Department of Insurance to implement those reforms.

Property & Casualty

- August 2003: Ordered the top 32 insurance company groups, representing 95% of the homeowner's insurance market, to reduce rates on average by 12%. The ordered rate reductions ranged from 0 percent to 31 percent. The orders amounted to \$510 million in rate reductions.
 - September 2003: Ordered five additional insurance company groups, representing 1% of the homeowner's insurance market, to reduce rates from between 10% to 22.4 %. The orders amounted to more than \$393,000 in rate reductions.
 - Some consumers began reaping the benefits of the reductions in September depending on their renewal dates and most insurers had implemented the reduced rates by November 2003.
 - November 2003: Adopted rules requiring any insurer writing residential property or personal automobile insurance to file and obtain approval of its territory rating factors if the insurer subdivides a county and the rate for any subdivisions within that county is greater than 15% higher than the rate used in any other subdivisions in the county. The rates must be based on sound actuarial principles, supported by data filed with the department, and comply with all applicable statutory and regulatory requirements.
 - November 2003: Adopted initial rules regarding the use of credit scoring by insurers in Texas. These rules, along with the statutory provisions in Senate Bill 14, are among the strongest in the country regulating the use of credit scoring. Similar provisions have been recognized nationally. For instance, the NAIC and the National Black Caucus of State Legislators recognized in late 2003 the merits of the Texas law.
1. Companies using credit information must provide a disclosure statement to the consumer once an insurance application is received. The disclosure notifies potential policyholders whether or not credit scoring will be used in determining the consumer's rate and describes the consumer's rights and protections.
 2. The disclosure also explains the consumer's right to appeal an adverse ruling that results in higher rates or other adverse actions. The company must provide a

- contact telephone number of a consumer reporting agency which the consumer can call to dispute inaccurate or prohibited information.
3. The rules also require insurers to justify the rates charged to policyholders and applicants due solely to credit scoring. Insurers must submit filings justifying the credit rating factors no later than March 1, 2004.
- December 2003: Proposed additional rules for consideration that require that rate differences due to credit scoring, once credit is separated from other rating factors, to be within a range of +/- 10%. If an insurer uses a credit scoring rating structure that has a greater differential than +/- 10%, the insurer must request and justify a variance to minimize consumers' rate increases. A hearing was held to consider this rule proposal on January 7, 2004.

My staff and I welcome your input and your questions. You can reach us in our office located in the Capitol extension: E1.324. Mailing address: **P. O. Box 2910, Austin, TX, 78768** phone number **512/463-0880**.

Canton District office is located in The American National Bank Building in Canton on Highway 243: **P. O. Box 999, Canton, TX, 75103** phone number **903-567-0921**.

Greenville District office is located in The Paul Mathews Exchange Building, Suite 802, 2500 Stonewall, Greenville phone number **903-455-0971**.

Email: **dan.flynn@house.state.tx.us**.

God bless you and God bless Texas,

Dan Flynn
State Representative, House District 2