Legislative & External Affairs Committee Meeting Materials

July 2, 2024

Contents

Executive Summary

Biennial Report to Legislature

Texas Insurance Code Section 2210.0025 requires the Texas Windstorm Insurance Association (TWIA) Board of Directors to submit to the Commissioner of Insurance, the Senate Committee on Business and Commerce, the House Committee on Insurance, and the Sunset Advisory Commission a written report relating to the operations of the association during the preceding biennium. The report is due on or before December 31 in the year prior to a legislative session and must include:

I. Any proposed changes in the law relating to regulation of the association and a statement of the reasons for the changes; and
II. Any information regarding association operations or procedures that is requested by the department to be addressed in the report.

Materials Overview

The Board of Directors has directed the Legislative and External Affairs Committee (the “LEA Committee”) to develop potential legislative recommendations for inclusion in the 2024 Biennial Report for the Board’s consideration.

The LEA Committee met on May 21 to begin the process of identifying potential legislative recommendations for the 2024 Biennial Report. At the meeting:

- The LEA Committee reviewed 17 potential recommendations compiled by Association staff.
    - The Committee approved five proposals to recommend to the TWIA Board, decided not to recommend 10 proposals, and requested additional information on two proposals. *Page 3 includes the status of all items considered at the May 21 meeting.*
    - The LEA Committee also requested that staff contact insurance industry representatives to ask about initiatives they are pursuing related to TWIA’s funding. *The responses received from the insurance industry begin on page 11.*

The LEA Committee will present its final recommendations to the Board, and the recommendations approved by the Board will be included in the Biennial Report to the Legislature as required by statute.

Status of All Items Considered by the LEA Committee on May 21, 2024

Item #	Topic	Description	Status
1	**Multidistrict Litigation**	Eliminate or make optional TIC Section 2210.575(e) requiring actions against the Association be presided over by a judge appointed by the judicial panel on multidistrict litigation.	Additional Information Requested on the Potential Use of Business Courts
2	**Premiums Used to Pay Losses**	Revise TIC Section 2210.071 prohibiting the use of current year premiums to pay losses occurring in prior years.	Additional Information Requested on Potential Bill Language
3	**Expert Panel**	Modify statute and regulations to eliminate TIC Section 2210.578 requiring the use of Expert Panel recommendations.	Not Pursued / Additional Information Requested on Expert Panel Costs
4	**FORTIFIED Home Construction**	Consider the feasibility and possible public funding of FORTIFIED home construction and other mitigation programs.	Approved
5	**Premium & Maintenance Tax**	Exempt TWIA from premium and maintenance taxes.	Approved
6	**Premium Financing**	Prohibit the use of premium financing for the payment of premiums.	Approved
7	**Public Security Funding**	Options to address concerns with the issuance of public securities in TWIA's funding structure.	Approved/Additional Information Requested
8	**Reinsurance Funding**	Options to reduce the Association's reinsurance costs.	Approved/Additional Information Requested
9	**Appraisal Process**	Allow TWIA to have a formal objection process related to issues or concerns with a policyholder's selected appraiser or umpire.	Not Pursued
10	**Payment of Appraisal Costs**	Revise the statutory provision requiring TWIA and the policyholder to split the cost of their respective appraisers to require each party to pay their own appraisal costs.	Not Pursued
11	**Depopulation**	Authorize TWIA to activate and deactivate the Assumption Reinsurance Depopulation Program according to market fluctuations.	Not Pursued
12	**TWIA/TFPA Merger Study**	Recommend the Legislature consider interim charges to study a merger of TWIA and TFPA to create a single residual market property insurer.	Not Pursued

Item #	Topic	Description	Status
13	**Roof Coverage**	Require all roofs to have ACV coverage and exclude roofs older than 15 years from being covered by the TWIA policy.	Not Pursued
14	**Indirect Damage Coverage**	Exclude coverage for indirect damage from the TWIA policy.	Not Pursued
15	**Rate Glidepath**	Institute mandatory rate increases for 5 years that would move TWIA closer to rate adequacy.	Not Pursued
16	**Rating Changes**	Modify the rating structure to allow for higher commercial rates from residential rates and different rates in areas where the exposure concentration exceeds normal UW guidelines (i.e., Galveston and Corpus Christi).	Not Pursued
17	**Member Company Assessments**	Increase the amount of member company assessments from $1 to $2 billion.	Not Pursued

Additional Information Requested

1 Multidistrict Litigation

Additional Information Requested: The LEA Committee asked staff to provide information on the possibility of using new specialty "Business Courts" created by the 88th Texas Legislature to address litigated TWIA claims.

- Governor Abbot signed House Bill 19[1] into law in 2023 creating a new statewide specialty business court.
  - The intent of the law is to streamline the resolution of certain complex commercial disputes in Texas and ensure the courts are staffed by judges appropriately skilled to handle these cases.
- As enacted, the business courts have limited subject-matter jurisdiction, which does not include actions brought under the Texas Insurance Code[2].
- The types of actions currently given to the business courts focus on corporate governance, securities regulations, and business organization, and the amount in controversy must exceed $5 million.
- The establishment of business courts with these parameters appears to be for the purpose of developing judicial expertise in areas not often encountered by Texas district courts.
- It does not appear that consumer-protection litigation under the Insurance Code aligns with the current composition of the business courts.
- The subject and possible solution sections for this topic are the same as presented in the May 21 meeting materials.

Subject: TIC Section 2210.575(e) requires all suits concerning denied claims to be presided over by a judge appointed by the Judicial Panel on multidistrict litigation (MDL). However, the statute does not provide a procedure for securing that appointment, and the existing rules on multidistrict litigation (Government Code Section 74.161 et seq.) do not contemplate appointing presiding judges in individual cases. As a result, no litigant has ever requested an appointment by the MDL panel in the 12-plus years the law has been in effect.

- Plaintiff Stephen Pruski raised this issue in his appeal of a judgment against him. The Corpus Christi Court of Appeals agreed and ruled that all judgments entered without an MDL-appointed judge are void.

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[1] https://capitol.texas.gov/tlodocs/88R/billtext/html/HB00019F.htm

[2] Texas Government Code Section 25A.004(g)(2)(D)

- The Texas Supreme Court recently released its opinion reversing the Court of Appeals and agreeing with TWIA that the lack of an MDL-appointed judge does not void a judgment.

Possible Solution: Eliminate the provision requiring an MDL-appointed judge or make the appointment optional to prevent collateral attacks on settled judgments.

- Eliminating or modifying the requirement would reduce future litigation costs and simplify ongoing litigation.
- Clarifying the procedural rules relating to litigation will benefit TWIA policyholders, their legal representatives, and the Association by eliminating uncertainty around this dispute resolution requirement.

2 Premiums Used to Pay Losses

Additional Information Requested: The LEA Committee asked staff to provide more information about this topic, including potential bill language, to clarify how it would change TWIA's processes related to the payment of losses.

- The subject and possible solution sections for this topic below have been updated to include additional supporting information.
- Staff's proposed bill language for this change is outlined here:

Sec. 2210.071. PAYMENT OF EXCESS LOSSES. (a) If, in a catastrophe year, an occurrence or series of occurrences in a catastrophe area results in insured losses and operating expenses of the association in excess of premium and other revenue of the association, the excess losses and operating expenses shall be paid as provided by this subchapter.

(b) The association may not pay insured losses and operating expenses resulting from an occurrence or series of occurrences in a catastrophe year <u>in excess of premium and other revenue of the association for that catastrophe year</u> with premium and other revenue earned in a subsequent year.

Subject: TIC Section 2210.071(b) prohibits TWIA from paying insured losses with premium and other revenue earned in a subsequent year.

- It is relatively common for the estimated ultimate payment on claims to change over time, both favorably and adversely, even after the year in which the claim occurs. This is especially true for events taking place late in the year, late reported claims, and disputed claims.
- For catastrophe years in which insured losses and operating expenses exceed premium and other revenue, adverse development occurring in a subsequent year can be paid in accordance with TIC Chapter 2210 Subchapter B-1.

- For catastrophe years in which insured losses and operating expenses do not exceed premium and other revenue, there is no other source of funds available to pay for adverse development after the net gain from operation for that year has been transferred to the Catastrophe Reserve Trust Fund (CRTF).
- The statute should be amended to specifically authorize TWIA to pay for any adverse loss development beyond what is reserved at the end of the catastrophe year.

Possible Solution: Revise TIC Section 2210.071(b) to limit its prohibition to catastrophe years resulting in losses in excess of premiums.

- This would continue to require all claims occurring in catastrophe years resulting in excess losses, such as 2008 (Dolly and Ike) and 2017 (Harvey), to be paid in accordance with the statutory funding sources outlined in Subchapter B-1.
- It would also allow, in any other year, adverse development to be paid from premiums earned in the year in which the development is incurred, regardless of when the claim initially occurred.
- This would be consistent with industry practice and TWIA's current practice and would comply with statutory accounting principles that recognize changes in loss estimates in the period they become known.

Not Pursued

3 Expert Panel – Additional Information Requested

Additional Information Requested: The LEA Committee voted not to pursue this item but asked staff to provide information about the costs and services provided related to the Expert Panel program.

- The Expert Panel program[3] is a set of guidelines adopted by the Texas Department of Insurance to establish a methodology for settling residential slab claims.
- TWIA's Expert Panel program contract runs for three years (2023-25) and expires on April 30, 2025.
- The Association has had annual data, software license, and maintenance costs of approximately $2.4 million since the Association's contract with the vendors to implement the recommendations expired in 2022.
- The contract details and a description of the services provided by the Expert Panel vendors Accenture and RMS are outlined below.

Accenture	
Contract Term	May 1, 2023 – April 30, 2025
Total Fees	$6.2 M (Over 3 Years)
Fee Breakdown	
Accenture Module Maintenance	$1,583,749
RMS Internal Project Management	$2,426,353
RMS HWIND Hazard and License	$1,094,949
RMS Surge Hazard and License	$1,094,949
Property Data Augmentation (Variable Cost)	$66,000 (for 2023)
Total	$6,200,000
Per Event Fee	$645,000

RMS	
Contract Term	Annual
Annual Property Database Update (Variable Cost)	Approx. $40,000-$60,000
Pre-Landfall Forecasting & Post-Landfall Analysis	$237,686

- **Accenture Module Maintenance:** This service includes project management to facilitate the overall delivery of the program, coordination with RMS, handling of quality assurance activities, and the web-based application used to produce the five required modules for the program.

[3] TIC Section 2210.578

  - **Property Database Module**: This module provides the database for the annual acquisition and input of 23 pre-event property-specific data elements by RMS.
  - **Hazard Module:** This module allows for the acquisition and input of data on wind, waves, and storm surges to which a given structure was exposed for the duration of the storm.
  - **Damage Estimation Module:** This module provides the information necessary to estimate the type and extent of damage to a structure caused by wind and surge.
  - **Economic Loss Module:** This module supports TWIA's determination of the policyholder's "economic loss" due to the wind-covered peril.
  - **Report Generation Module:** This module allows TWIA to produce the required mandatory reports after a storm meets the conditions established by the Expert Panel program.
  - **Maintenance of Web Application:** Maintenance of a web-based application that will be used to show/update the wind damage estimation and the various inputs to support estimation for the claim assessors.

- **RMS Internal Project Management:** This service, provided by Accenture with assistance from RMS, includes managing and maintaining the wind hazard and surge hazard models that provide real-time wind and surge data for the properties subject to the Expert Panel program that TWIA insures. It also includes maintaining a property characteristics database for approximately 10,000 residential properties along the Texas coast.
- **RMS HWIND Hazard and License:** This service produces the modeled wind data for each location in TWIA's coverage area where properties are subject to the Expert Panel program and provides a process for analyzing errors in the modeled wind field.
- **RMS Surge Hazard and License:** This service produces the modeled surge data at each location in TWIA's coverage area where properties are subject to the Expert Panel program and provides a process for analyzing errors in the modeled storm surge field.
- **RMS Annual Property Database Update:** This service includes RMS' annual identification of new or revised properties subject to the Expert Panel program and the population of the corresponding property characteristics for those locations within the property database for each hurricane season.
- **The RMS Pre-Landfall Forecasting and Model Analyses:** This service includes RMS' monitoring of all relevant weather systems in the North Atlantic, Caribbean, and East Pacific basins that could track into the Gulf of Mexico and notification to TWIA and Accenture if an "applicable event" occurs to trigger the use of the Expert Panel methodology. Pre-landfall analyses conclude 24 hours before a storm impacting the Texas coast makes landfall and help the Association determine if there is a need to activate the slabbing system or not.
- **RMS Post-Landfall Analysis:** This service generates three to six hourly wind field snapshots for the event and interpolates between the snapshots to produce a time history of winds.

TWIA Funding Proposals

Additional Information Requested: The LEA Committee asked staff to contact insurance industry representatives to ask about initiatives they are pursuing related to TWIA's funding. The Association received two letters from insurance industry representatives in response to staff's request.

- The Insurance Council of Texas, the Texas Coalition for Affordable Insurance Solutions, the American Property and Casualty Insurance Association, and the National Association of Mutual Insurance Companies provided a joint letter for the Committee's consideration (*Page 11*).
- The Reinsurance Association of America also provided a letter for the Committee's consideration (*Page 12*).

ICT Insurance Council of TEXAS

June 12, 2024

David Durden
General Manager
Texas Windstorm Insurance Association

Mr. Durden,

This letter is in response to your May 30 letter asking for input on proposals for TWIA funding and TWIA reinsurance funding. This was being done as part of TWIA's efforts to develop its biennial recommendations to the Texas legislature.

This is submitted jointly on behalf of the following state and national property and casualty trade associations: The Insurance Council of Texas, The Texas Coalition for Affordable Insurance Solutions, The American Property and Casualty Insurance Association, and the National Association of Mutual Insurance Companies.

We appreciate the opportunity to provide input on workable solutions to TWIA funding. In the past, the property and casualty industry has offered proposed solutions and worked with coastal legislators, legislative committees, and community leaders to discuss options.

Our interest remains in finding a reasonable and sustainable funding structure for TWIA to ensure its ability to meet its obligations to policyholders. The current bond debt funding structure creates additional costs and long-term debt for TWIA, making it unsustainable for its future financial well-being.

Generally, the property and casualty industry supports finding an alternative funding source for the current $1 billion funding that is funded through TWIA debt, commonly referred to as Class 1, 2, and 3 public securities as outlined in Insurance Code, Chapter 2210, Subchapter M. Recently, there have been discussions among various stakeholders about state "investments" or other mechanisms to fund the $1 billion, and we'd welcome the opportunity to continue those discussions.

Concurrently, we are concerned about any proposals that attempt to shift costs to member insurers or disregard sound insurance practices through means such as artificial restrictions on TWIA's determination of its 1 in 100-year PML.

Finally, in any funding proposal, the industry believes it is critical that the funding structure maintains current member assessment requirements at a $1 billion level and those assessments should continue to be placed after the use of available CRTF and any other funding mechanism, excluding reinsurance. Note that member insurers remain ready to support TWIA losses through our $1 billion assessment commitment, but also must maintain their ability to help policyholders statewide recover after losses. For reference, in 2023, property and casualty insurers paid over $45 billion in direct losses representing a 22% increase from 2022 losses, of which nearly $10.5 billion was for homeowner insurance losses. Homeowner losses were up nearly 50% over 2022 levels.

Again, we appreciate the opportunity to provide this input and are available to answer any questions you may have.

Sincerely,

Albert Betts, Jr.
Albert Betts, Executive Director, ICT

Beaman Floyd (Jun 14, 2024 06:54 CDT)
Beaman Floyd, Lobbyist, TCAIS

Scot Kibbe
Scot Kibbe (Jun 12, 2024 16:54 CDT)
Scot Kibbe, VP Government Relations, APCIA

Jon Schnautz, VP State Affairs, NAMIC

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June 14, 2024

Mr. David Durden
Texas Windstorm Insurance Association

Via email

RE: RAA Comments on TWIA Funding Recommendations

Mr. Durden:

We appreciate the opportunity to share our thoughts on the proposals you provided on May 29.

One of the fundamental tenets of the Reinsurance Association of America's ("RAA") advocacy priorities is ensuring maximum opportunities for the private insurance market to participate in risk transfer. What follows are some thoughts on the proposals with that advocacy goal in mind.

<u>Overall Observations</u>

We are mindful that:

- In addition to the potential assessments, member companies have their own obligations to policyholders beyond their TWIA obligations.

- Mandating PML calculations creating artificially low funding levels imperils TWIA's solvency after a large event.

Given that, policy decisions should be made with an eye towards balancing the demands on the private market while keeping TWIA financially sustainable to meet current and future obligations.

TWIA Public Security Funding

We appreciate TWIA's concerns about its current debt structure and are supportive of considering alternatives to it. We remain engaged with other industry stakeholders in exploring options to help alleviate the problems associated with the current bonding structure.

TWIA Reinsurance Funding

We can appreciate TWIA's desire to reduce reliance on reinsurance. We also remain concerned that increasing the obligations on member companies will discourage additional insurance capital coming into the state.

To that end, the RAA supports efforts to bolster the CRTF to put TWIA on better financial footing, which in turn will help reduce the amount of reinsurance needed to meet its obligations. We look forward to hearing more details about proposed mechanisms which would do that.

As we approach the upcoming legislative session, we look forward to ongoing conversations with you and other stakeholders as you chart the course for TWIA. Please let us know how we can help.

Sincerely,

Paul Martin

Paul Martin
Vice President-State Relations

Approved Topics

4 FORTIFIED Home Construction

Subject: TWIA does not have any programs associated with FORTIFIED home construction.

- FORTIFIED is a nationally recognized building method that goes beyond building codes to strengthen residential and commercial buildings against specific natural hazards such as high winds and hurricanes. FORTIFIED standards are based on more than 20 years of scientific research and real-world testing by the Insurance Institute for Business & Home Safety (IBHS).
- More resilient construction can improve the availability and affordability of insurance coverage, leading to less community damage, reduced costs of emergency management and disaster recovery resources, and lower insurance losses after a catastrophic event.
- Other coastal states, notably Alabama and North Carolina, have encouraged FORTIFIED home construction for both new and existing homes through a combination of public grants and policy endorsements covering upgrades to the FORTIFIED home construction standards.

Possible Solution: Consider providing funding support from the State of Texas, the CRTF, or other sources for FORTIFIED home construction.

- Alternatively, consider expanding the scope of this recommendation to include TWIA incentives or public funding support for all types of wind mitigation efforts, such as retrofitting existing construction with upgraded opening protections, roof attachments, and other certified improvements.
- In the absence of a request for public funding, implementing this possible solution would not require a legislative change.

5 Premium & Maintenance Tax

Subject: Texas premium and maintenance taxes impact rate indications and lessen the affordability of TWIA policies.

- Due to TWIA's policy growth, the Association paid a record $11.4 million in premium and maintenance taxes in 2023.
- The Association projects paying approximately $13.8 million in premium and maintenance taxes from 2024 operations.

Year	Premium Tax	Maintenance Tax & Other	Total
2010	$6.2 Million	$1.2 Million	$7.3 Million
2011	$6.5 Million	$1.2 Million	$7.7 Million
2012	$7.1 Million	$1.3 Million	$8.4 Million
2013	$7.6 Million	$1.4 Million	$9.0 Million
2014	$7.9 Million	$1.5 Million	$9.4 Million
2015	$8.1 Million	$1.5 Million	$9.6 Million
2016	$7.8 Million	$1.5 Million	$9.3 Million
2017	$6.8 Million	$1.3 Million	$8.0 Million
2018	$6.3 Million	$1.2 Million	$7.5 Million
2019	$6.0 Million	$1.1 Million	$7.1 Million
2020	$5.9 Million	$1.1 Million	$7.0 Million
2021	$6.3 Million	$1.2 Million	$7.5 Million
2022	$8.3 Million	$1.2 Million	$9.5 Million
2023	$10.4 Million	$1.0 Million	$11.4 Million

Possible Solution: Exempt TWIA from paying premium and maintenance taxes.

- A reduction in expenses has a corresponding impact on rate indications. Elimination of premium and maintenance taxes would reduce TWIA expenses by roughly 1.86% of the annual written premium.

6 Premium Financing

Subject: TWIA's 2019 Sunset bill allowed the Association to accept partial premium payments to issue a policy and allowed policyholders to pay the Association directly via credit card or another electronic payment method. Although these law changes enabled TWIA to offer interest-free installment payment options (2-Pay, 4-Pay, and 10-Pay), more than 1,500 policyholders continue to use premium financing for the payment of their premiums.

- 83% of policies were paid in full in 2023 despite the availability of the three installment payment options.
- As of December 31, 2023, TWIA had 1,522 policies in force that were premium financed. Out of this total, 1,122 were residential policies and 400 were commercial policies.
- TWIA recently distributed targeted communications to agents and policyholders to create more awareness and encourage the adoption of TWIA's interest-free payment options.

Possible Solution: Revise statute to explicitly prohibit the use of premium financing for the payment of policy premiums based on the availability of TWIA's interest-free payment plans.

- Texas Insurance Code Chapter (TIC) 2210 and the TWIA Plan of Operation do not contain an explicit requirement that TWIA must accept or that it may reject payment via premium finance companies.

- TIC Chapter 651 governs Financing of Insurance Premiums; this and Chapter 2210, along with the TWIA Plan of Operation, contain procedural requirements related to the refund of TWIA policy premiums to premium financiers, which indicate the Texas Legislature and the Texas Department of Insurance contemplate the use of these arrangements by TWIA policyholders.

7 Public Security Funding

Subject: TWIA catastrophe funding as described in TIC Section 2210 Subchapter B-1 includes up to $1 billion in public securities. There are numerous potential issues with the use of public securities as part of TWIA's funding:

- Public securities may not be fully marketable or funded sufficiently quickly.
- TWIA's current repayment structure imposes a financial burden on the Association and its current and future policyholders in the years following a catastrophic event.
- The repayment of public securities reduces and, in some cases, may prevent contributions to the CRTF in the years following a catastrophe event.

Possible Solutions: Recommend the Legislature consider one or more of the following changes to current TWIA funding statutes to address these concerns:

- **Replace public securities with a loan from the State's Economic Stabilization Fund.**
    - This change could provide funds to pay Association losses at a reduced cost to TWIA policyholders and coastal residents.
    - Additionally, it would allow the State to earn a competitive interest rate from a loan provided to a state-created entity subject to both legislative and regulatory oversight and therefore with little risk of default.
- **Allow early repayment of public securities by identifying a source of State or statewide funding.**
    - At a certain point, especially if multiple catastrophe years require the issuance of public securities, the cost to repay public securities cannot be reasonably borne by TWIA policyholders and coastal residents.
    - Having a broader repayment base, whether through statewide assessments or other more direct means, such as payments made from State funds, would increase the sustainability of TWIA funding after one or more catastrophic events.
- **Allow public securities to be backed by the State.**
    - This change would significantly reduce the repayment cost for TWIA policyholders and coastal residents at minimal risk to State funds, given the repayment mechanisms already present in statute.

- **Replace the existing separate public security repayment mechanisms with a single, ordered source of repayment for all bond classes.**
    - Repayment would be prioritized for TWIA policyholders, coastal residents, and then statewide residents, and limits could be imposed on the total amount to be repaid from each group, both for a single catastrophe year and cumulatively for multiple years.
- **Reverse the order of public securities and member company assessments within each of the three classes of funding.**
    - This change would make the public securities less likely to be needed to pay losses and provide more time before those funds would be necessary after a catastrophic event.
    - This could be done in conjunction with allowing member companies to recoup assessments either in whole or in part.

8 Reinsurance Funding

Subject: TIC Section 2210.453(b) requires TWIA to maintain total available loss funding not less than the 100-year probable maximum loss (PML) and requires the purchase of reinsurance or similar mechanisms as necessary.

- As TWIA exposures continue to grow, the Association's PML will also grow. Since the amount of statutory funding available from public securities and assessments is fixed, this significantly increases both the amount and cost of reinsurance required to be purchased.
- Increased reinsurance costs reduce contributions to the CRTF and increase the indicated rate need for TWIA.

Possible Solution: Recommend the Legislature consider one or more of the following changes to current TWIA funding statutes to address these concerns:

- **Adjust the statutory funding in line with changes in TWIA exposures.**
    - This change could be done either directly based on exposure change from year to year or proportional to changes in the modeled probable maximum loss, effectively keeping the statutory funding as a fixed percentage of total funding.
    - Either method would directly reduce the amount of reinsurance needed and its cost to TWIA policyholders.
- **Authorize a mechanism to maintain the CRTF at a minimum level through a statewide assessment pool or other State source.**
    - Increasing the CRTF's available balance directly decreases the amount of reinsurance that must be purchased.
    - This is especially important in the years immediately after a catastrophic event, as the CRTF will have been used, most likely in its entirety, to fund losses.

- **Require TWIA's premium and maintenance taxes to be deposited directly into the CRTF.**
    - This would cause a significant increase to CRTF balances annually and result in a relatively small reduction in the overall amount of tax revenue received by the State.