LINE ITEM AND BOILERPLATE SUMMARY

INSURANCE AND FINANCIAL SERVICES

Fiscal Year 2018-19
Article XI, Public Act 207 of 2018
Senate Bill 848 as Enacted



Marcus Coffin, Fiscal Analyst

September 2018

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P.O. Box 30014 ■ Lansing, Michigan 48909-7514 PHONE: (517) 373-8080 ■ Fax: (517) 373-5874 www.house.mi.gov/hfa Laura Cox, Chair Tom Leonard, VC Dan Lauwers FRED DURHAL III, MVC SAM SINGH CHRISTINE GREIG

September 2018

TO: Members of the Michigan House of Representatives

The House Fiscal Agency has prepared a **Line Item Summary** for each of the FY 2018-19 appropriation acts. Each **Summary** contains line-by-line appropriation and revenue source detail, and a brief explanation of each boilerplate section in the appropriation bill.

In this report, line item vetoes are presented in the following manner: appropriation amounts shown in strikeout are those that appear in the enrolled bill; amounts shown directly below strikeout amounts reflect the effect of the veto.

Line Item Summaries are available on the HFA website (www.house.mi.gov/hfa), or from Kathryn Bateson, Administrative Assistant (373-8080 or kbateson@house.mi.gov).

Mary Ann Cleary, Director

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GLOSSARY

STATE BUDGET TERMS

Line Item

Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function.

Boilerplate

Specific language sections in an appropriation bill which direct, limit, or restrict line-item expenditures, express legislative intent, and/or require reports.

Lapse

Appropriated amounts that are unspent or unobligated at the end of a fiscal year; appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project

Account authorized through statutory process which allows appropriated spending authorization from one fiscal year to be utilized for expenditures in a succeeding fiscal year or years for a specific project or purpose.

APPROPRIATIONS AND FUND SOURCES

Appropriations

Authority to expend funds for a particular purpose. An appropriation is not a mandate to spend.

Gross: Total of all applicable appropriations in an appropriation bill.

Adjusted Gross: Net amount of gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Interdepartmental Grant (IDG) Revenue

Funds received by one state department from another state department—usually for service(s) provided.

Intradepartmental Transfer (IDT) Revenue

Funds transferred from one appropriation unit to another within the same departmental budget.

Federal Revenue

Federal grant or match revenue; generally dedicated to specific programs or purposes.

Local Revenue

Revenue received from local units of government for state services.

Private Revenue

Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, or gifts and bequests.

State Restricted Revenue

State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue; at yearend, unused restricted revenue generally remains in the restricted fund.

General Fund/General Purpose (GF/GP) Revenue

Unrestricted general fund revenue available to fund basic state programs and other purposes determined by the Legislature; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

MAJOR STATE FUNDS

General Fund

The state's primary operating fund; receives state revenue not dedicated to another state fund.

School Aid Fund (SAF)

A restricted fund that serves as the primary state funding source for K-12 schools and Intermediate School Districts. Constitutionally, SAF revenue may also be used for postsecondary education.

Budget Stabilization Fund

The Countercyclical Economic and Budget Stabilization Fund (also known as the "rainy day fund"); the Management and Budget Act provides guidelines for making deposits into and withdrawals from the fund.

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

The Department of Insurance and Financial Services (DIFS) is responsible for regulating, licensing, examining, evaluating, and promoting the insurance and financial services industries operating within this state; the department also provides consumer protection for Michigan residents through management of consumer information and inquiries and investigation of consumer complaints. DIFS implements, administers, and enforces state statutes pertaining to: state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; consumer finance entities; insurance companies, agents, and products; and health maintenance organizations.

STATE GENERAL FUND/ GENERAL PURPOSE	\$550,000	Unrestricted state revenue from taxes and other sources. GF/GP Subtotals: Ongoing 150,000	
Total state restricted revenue	64,690,800	State revenue dedicated to a specific fund (other than the Gener Fund) or restricted for a specific purpose.	
Total private revenue	0	Revenue received from private individuals and entities.	
Total local revenue	0	Revenue received from local units of government.	
Total federal revenue	2,017,300	Revenue received from federal departments and agencies.	
ADJUSTED GROSS APPROPRIATION	\$67,258,100	Gross appropriation less (or minus) interdepartmental grad (IDG) or intradepartmental transfer (IDT) revenue.	
Total interdepartmental grant/intradepartmental transfer revenue	713,800	Revenue received from other departments or transferred within the department.	
GROSS APPROPRIATION	\$67,971,900	Total of all applicable line item appropriations.	
Full-time equated classified positions	336.5	Full-time equated (FTE) positions in the state classified service. Note: based on 2,088 hours for 1.0 FTE position.	
Full-time equated unclassified positions	6.0	Full-time equated (FTE) positions not in the state classified service	

SECTION 102: DEPARTMENTAL ADMINISTRATION AND SUPPORT

This appropriation unit supports the executive direction, administrative functions, and overhead expenses of DIFS, includes: administrative hearings, financial and administrative services, policy research and development, property management, and workers' compensation.

Full-time equated unclassified positions	6.0	Full-time equated (FTE) positions not in the state classified service.
Full-time equated classified positions	22.5	Full-time equated (FTE) positions in the state classified service.
Unclassified salaries – 6.0 FTE positions	\$784,500	Supports salaries of unclassified positions within DIFS, including the DIFS Director.
		Funding Source(s): Restricted 784,500
		Related Boilerplate Section(s): None
Administrative hearings	182,500	Supports costs associated with administrative hearings conducted by the Michigan Administrative Hearing System (MAHS) pertaining to statutes and rules implemented, administered, and enforced by DIFS.
		Funding Source(s): Restricted 182,500
		Related Boilerplate Section(s): None
Department services – 19.0 FTE positions	3,801,200	Supports staff and operations of the DIFS Director, Deputy Directors, Human Resources Manager, Director of Receivership, and the Office of Financial and Administrative Services, which is responsible for budget development, purchasing, contract and grant management, fiscal oversight, business applications support, and other administrative functions.
		Funding Source(s): Restricted 3,801,200
		Related Boilerplate Section(s): 205, 206, 207, 211, 212, 213, 220, 302
Executive director programs – 3.5 FTE positions	1,075,900	Supports staff and operations of DIFS' Deputy Directors, including policy and legislative affairs, communications, economic development, and the applicable statutory reporting requirements pertaining to the Healthy Michigan Plan (for which GF/GP funding is apportioned).
		Funding Source(s): Restricted 925,900 GF/GP 150,000
		Related Boilerplate Section(s): 221
Property management	1,245,400	Supports lease obligations for state-owned facilities managed by the Department of Technology, Management, and Budget (DTMB), and privately-owned facilities occupied by DIFS.
		Funding Source(s): Restricted 1,245,400
		Related Boilerplate Section(s): None
Worker's compensation	4,200	Supports costs of workers' compensation insurance for estimated claims and reserve requirements, administered through the Department of Technology, Management, and Budget (DTMB).
		Funding Source(s): Restricted 4,200
		Related Boilerplate Section(s): None
GROSS APPROPRIATION	\$7,093,700	Total of all applicable line item appropriations.

STATE GENERAL FUND/ GENERAL PURPOSE	\$150,000	Unrestricted state revenue from taxes and other sources.
Multiple employer welfare arrangement	1,300	Filing fees and 0.25% annual assessment collected from individuals and entities establishing or maintaining a multiple employer welfare arrangement.
MBLSLA Fund	660,300	Licensure, registration, examination, and investigation fees collected from licensed individuals and entities engaged in brokering, lending, or servicing original or secondary mortgages.
Insurance licensing and regulation fees	1,915,600	Filing, licensure, and examination fees and fines collected from licensed individuals and entities engaged in the insurance business.
Insurance continuing education fees	64,200	Filing and authorization fees collected from providers of programs of study for insurance producers.
Insurance Bureau Fund	2,451,800	Actual costs of examinations and investigations, or a regulatory fee derived from statutory formula, and various statutory fees collected from insurance licensees.
Deferred presentment service transaction fees	272,000	Licensure fees and fines collected from individuals and entities engaged in providing deferred presentment service transactions, and customers of licensees.
Credit union fees	862,200	Fees and fines collected from state-chartered credit unions.
Consumer finance fees	201,100	Licensure, examination, and investigation fees and fines collected from individuals and entities (e.g. lenders, creditors, and servicers) licensed in the consumer finance industry.
Captive Insurance Regulatory and Supervision Fund	2,900	Statutory filing and examination fees collected from captive insurance companies.
Bank fees	512,300	Supervisory, examination, and other fees collected from state-chartered banks, savings banks, trust-only banks, and business and industrial development companies (BIDCOs).

SECTION 103: INSURANCE AND FINANCIAL SERVICES REGULATION

This appropriation unit supports the state's regulatory oversight of the insurance and financial services industries, including: state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; various consumer finance entities; insurance companies, agents, and products; and health maintenance organizations. Also supports DIFS' legal counsel and consumer services and protection functions.

Full-time equated classified positions	314.0	Full-time equated (FTE) positions in the state classified service.
Consumer services and protection – 64.0 FTE positions	\$8,803,600	Supports consumer protection and legal representation functions, including: Office of Consumer Services: Manages consumer information, education, outreach, inquiries, and complaints; investigates complaints against regulated entities and individuals; oversees the communication center, which is the initial point of contact for incoming calls and visitors; and develops departmental webpages and forms. Office of General Counsel: Provides legal advice and representation to the department with respect to enforcement actions, administrative hearings, orders, rules, statutes, regulations, bulletins, declaratory rulings, health benefit claims, and special projects; serves as FOIA coordinator, processes Michigan's Patient's Right to Independent Review Act appeals, and acts as liaison to the Attorney General.
		Funding Source(s): Restricted 8,803,600
		Related Boilerplate Section(s): None
Financial institutions evaluation – 132.0 FTE positions	24,633,100	Supports regulation and evaluation of financial institutions, including: Office of Banking: Regulates, examines, and supervises state-chartered banks, savings banks, trust-only banks, trust departments, and business and industrial development companies (BIDCOs). Office of Credit Unions: Regulates, examines, and supervises state-chartered credit unions and the processing of corporate applications filed by state-chartered credit unions. Office of Consumer Finance: Regulates, licenses, and examines entities and individuals doing business under various consumer finance statutes, including mortgage brokers, lenders, and servicers; mortgage loan originators; money transmitters; deferred presentment providers; direct loan companies; motor vehicle installment sellers and sales finance companies; and other consumer finance entities. Funding Source(s): IDG/IDT 713,800
		Restricted 23,919,300
		Related Boilerplate Section(s): None

Insurance evaluation – 118.0 FTE positions	24,789,600	Supports regulation and evaluation of the insurance industry, including: Office of Insurance Evaluation: Regulates and monitors the financial condition of risk-bearing insurance entities via processing of licensure applications, on-site financial examinations, ongoing financial monitoring, and working with insurance companies reporting negative trends to take appropriate corrective measures; also responsible for licensing, monitoring, and examining captive insurers. Office of Insurance Licensing and Market Conduct: Licenses individual and agency insurance producers (insurance agents), solicitors, counselors, adjusters, foreign risk retention groups, premium finance companies, purchasing groups, reinsurance intermediaries, and third party administrators; examines the market conduct of insurers and audits insurance agents and agencies. Office of Insurance Rates and Forms: Enforces statutes and regulations pertaining to insurance rates and forms submitted to DIFS by insurance

Funding Source(s): Federal 2,017,300

Restricted 22,772,300

companies and other licensed entities.

		Related Boilerplate Section(s): 301
GROSS APPROPRIATION	\$58,226,300	Total of all applicable line item appropriations.
IDG - LARA, debt management	713,800	<u>Source</u> : Filing, registration, investigation, and other fees from individuals and entities (e.g. broker-dealers, agents, investment advisers, adviser representatives, and long-term care facilities) regulated in the securities or long-term care industries. <u>Use</u> : DIFS' implementation and enforcement of the Debt Management Act of 1975 (fees collected under that Act are credited directly to the General Fund).
Federal revenues	2,017,300	Source: U.S. Dept. of Health and Human Services. <u>Use</u> : Implementation of health insurance reforms pursuant to the federal Patient Protection and Affordable Care Act of 2010.
Bank fees	5,737,100	Supervisory, examination, and other fees collected from state-chartered banks, savings banks, trust-only banks, and business and industrial development companies (BIDCOs).
Captive Insurance Regulatory and Supervision Fund	289,200	Statutory filing and examination fees collected from captive insurance companies.
Consumer finance fees	2,997,200	Licensure, examination, and investigation fees and fines collected from individuals and entities (e.g. lenders, creditors, and servicers) licensed in the consumer finance industry.
Credit union fees	8,141,100	Fees and fines collected from state-chartered credit unions.
Deferred presentment service transaction fees	3,315,400	Licensure fees and fines collected from individuals and entities engaged in deferred presentment service transactions, and customers of licensees.
Insurance Bureau Fund	21,406,800	Actual costs of examinations and investigations, or a regulatory fee derived from statutory formula, and various statutory fees collected from insurance licensees.
Insurance continuing education fees	957,000	Filing and authorization fees collected from providers of programs of study for insurance producers.
Insurance licensing and regulation fees	6,421,100	Filing, licensure, and examination fees and fines collected from licensed individuals and entities engaged in the insurance business.

STATE GENERAL FUND/ GENERAL PURPOSE	\$0	Unrestricted state revenue from taxes and other sources.
Multiple employer welfare arrangement	283,500	Filing fees and 0.25% annual assessment collected from individuals and entities establishing or maintaining a multiple employer welfare arrangement.
MBLSLA Fund	5,946,800	Licensure, registration, examination, and investigation fees collected from licensed individuals and entities engaged in brokering, lending, or servicing original or secondary mortgages.

SECTION 104: INFORMATION TECHNOLOGY

This appropriation unit includes one line item, which supports department-wide IT services and projects.

Full-time equated classified positions	0.0	Full-time equated (FTE) positions in the state classified service.
Information technology services and projects	\$2,251,900	Supports various information technology services and projects provided by the Department of Technology, Management, and Budget (DTMB) for DIFS.
		Funding Source(s): Restricted 2,251,900
		Related Boilerplate Section(s): None
GROSS APPROPRIATION	\$2,251,900	Total of all applicable line item appropriations.
Bank fees	225,500	Supervisory, examination, and other fees collected from state-chartered banks, savings banks, trust-only banks, and business and industrial development companies (BIDCOs).
Consumer finance fees	93,000	Licensure, examination, and investigation fees and fines collected from individuals and entities (e.g. lenders, creditors, and servicers) licensed in the consumer finance industry.
Credit union fees	369,100	Fees and fines collected from state-chartered credit unions.
Deferred presentment service transaction fees	113,300	Licensure fees and fines collected from individuals and entities engaged in deferred presentment service transactions, and customers of licensees.
Insurance Bureau Fund	440,700	Actual costs of examinations and investigations, or a regulatory fee derived from statutory formula, and various statutory fees collected from insurance licensees.
Insurance continuing education fees	22,800	Filing and authorization fees collected from providers of programs of study for insurance producers.
Insurance licensing and regulation fees	727,600	Filing, licensure, and examination fees and fines collected from licensed individuals and entities engaged in the insurance business.
MBLSLA Fund	259,900	Licensure, registration, examination, and investigation fees collected from licensed individuals and entities engaged in brokering, lending, or servicing original or secondary mortgages.
STATE GENERAL FUND/ GENERAL PURPOSE	\$0	Unrestricted state revenue from taxes and other sources.

SECTION 105: ONE-TIME APPROPRIATIONS

This appropriation unit contains FY 2018-19 appropriations that are intended by the legislature to be one-time allocations and may not be reauthorized in future years.

Full-time equated classified positions	0.0	Full-time equated (FTE) positions in the state	classified ser	vice.
Insurance evaluation enhancement	\$400,000	Supports costs incurred by DIFS for working with an external actuarial firm to prepare an actuarial analysis and cost study for an application for a Section 1332 State Innovation Waiver, available under the federal Patient Protection and Affordable Care Act.		
		Funding Source(s):	GF/GP	400,000
		Related Boilerplate Section(s): 401		
GROSS APPROPRIATION	\$400,000	Total of all applicable line item appropriations.		
STATE GENERAL FUND/ GENERAL PURPOSE	\$400,000	Unrestricted state revenue from taxes and other sources.		

BOILERPLATE SECTION INFORMATION

GENERAL SECTIONS

Sec. 201. State Spending From State Sources and Payments to Local Units of Government

Provides total state spending from state sources and payments to be made to local units of government.

Sec. 202. Applicability of the Management and Budget Act

Subjects appropriations to the Management and Budget Act, 1984 PA 431.

Sec. 203. Definitions

Defines various terms and acronyms contained in Article XI.

Sec. 204. Internet Reporting Requirements

Requires DIFS to use the internet to fulfill reporting requirements; authorizes transmission of reports via e-mail.

Sec. 205. Purchase of Foreign Goods

Prohibits purchase of foreign goods or services if competitively priced and comparable quality American goods or services are available; gives preference to goods and services from Michigan businesses and Michigan businesses owned and operated by veterans.

Sec. 206. Deprived and Depressed Communities

Requires the DIFS Director to make an effort to contract with businesses in deprived and depressed communities.

Sec. 207. Out-of-State Travel

Stipulates conditions regarding when DIFS may send employees on out-of-state travel, further limits the expenditure of state funds on out-of-state professional development conferences, and requires a detailed report on all out-of-state travel.

Sec. 208. Hiring of External Legal Counsel

Prohibits using appropriations to hire a person to provide legal services that are the responsibility of the Attorney General; prohibition does not apply to legal services for bonding activities or to services authorized by the Attorney General.

Sec. 209. General Fund Lapse Report

Requires the State Budget Office (SBO) to report on estimated General Fund lapses by major program or program area at close of fiscal year.

Sec. 210. Contingency Funding

Appropriates up to \$1.0 million in federal and \$5.0 million in state restricted contingency funds; authorizes expenditure of funds after legislative transfer to specific line items.

Sec. 211. Transparency Website

Requires DIFS (in cooperation with the Department of Technology, Management, and Budget) to maintain a searchable website accessible by the public at no cost that includes information on: expenditures, vendor payments, number of active employees, and job specifications and wage rates.

Sec. 212. Restricted Funds Report

Requires DIFS to work with SBO to report on estimated restricted fund revenues, expenditures, and fund balances for FYs 2017-18 and 2018-19.

Sec. 213. Department Scorecard Website

Requires DIFS to maintain, on a publicly accessible website, a scorecard that identifies, tracks, and regularly updates key metrics used to monitor and improve the department's performance.

Sec. 214. Legacy Costs

Identifies total funding estimated to be expended on legacy costs in FY 2018-19 is \$9.5 million (\$4.4 million on pension related legacy costs and \$5.1 million on health care legacy costs).

Sec. 215. Increased Payment Options

Allows DIFS to receive payment for licenses, permits, and fees via credit card or other electronic payment means.

Sec. 218. Communication with the Legislature

Prohibits DIFS from taking disciplinary action against employees for communicating with legislators or their staff.

BOILERPLATE SECTION INFORMATION

Sec. 219. Television and Radio Productions

Prohibits DIFS from developing or producing television or radio productions.

Sec. 220. Healthy Michigan Plan Accounting Structure

Requires DIFS, in conjunction with the Department of Health and Human Services (DHHS), to maintain an accounting structure within the State's accounting system allowing the identification of expenditures associated with the Healthy Michigan Plan.

Sec. 221. Appropriation for Healthy Michigan Plan Statutory Reporting Requirement

Stipulates that the appropriation from the General Fund for the Executive Director Programs line item shall only be expended on reporting requirements pursuant to subsection 105d(9) of the Social Welfare Act, 1939 PA 280.

Sec. 222. Insurance Bureau Fund Use

Stipulates that appropriations from the Insurance Bureau Fund may be used to support legislative participation in insurance activities coordinated by insurance and legislative associations, in accordance with the Insurance Code of 1956.

INSURANCE AND FINANCIAL SERVICES REGULATION

Sec. 301. Health Insurance Rate Filings Report

Requires DIFS to submit a report based on the annual rate filings from health insurers and delineates the information to be included.

Sec. 302. Conservatorship and Insurance Liquidation Funds

Stipulates funds collected by DIFS in connection with a conservatorship pursuant to section 32 of 1987 PA 173 and from corporations being liquidated pursuant to 1956 PA 218 shall be appropriated for expenses necessary to provide required services and shall not lapse to the General Fund.

Sec. 303. Fees for Customized Listings

Permits DIFS to provide customized lists of non-confidential information to interested parties and to charge reasonable fees; states that funds lapse to appropriate restricted fund accounts.

ONE-TIME APPROPRIATIONS

Sec. 401. Section 1332 State Innovation Waiver Study

Requires DIFS to utilize funds appropriated for Insurance Evaluation Enhancement to complete a study to support the state's pursuit of a state innovation waiver (available under Section 1332 of the Patient Protection and Affordable Care Act) and delineates the information to be included.



Mary Ann Cleary, Director Bethany Wicksall, Deputy Director 517.373.8080

AREAS OF RESPONSIBILITY

Agriculture and Rural Development	William E. Hamilton
Attorney General	Michael Cnossen
Auditor General	Benjamin Gielczyk
Bill Analysis	
Edith Best; Jennifer Mo	clnerney; Emily Smith; Sue Stutzky
Capital Outlay	Benjamin Gielczyk
Civil Rights	Michael Cnossen
Community Colleges	Perry Zielak
Corrections	Robin R. Risko
Economic and Revenue Forecasting	Jim Stansell
Education (Department)	Samuel Christensen
Environmental Quality	Austin Scott
Executive Office	Benjamin Gielczyk
Fiscal Oversight, Audit, and Litigation	Mary Ann Cleary
Health and Human Services:	
Child Welfare, Child Support, Community Services	
Medicaid, Physical and Behavioral Health Public Assistance, Field Operations, Medicaid-backup	
Public Health and Aging	
Higher Education	
Insurance and Financial Services	•
Judiciary	
Legislature	
Licensing and Regulatory Affairs	,
Local Finance	
Lottery	-
Michigan Strategic Fund	-
Military and Veterans Affairs	
Natural Resources	
Natural Resources Trust Fund	
Retirement	
Revenue Forecasting	•
Revenue Sharing	
School Aid Bethany Wicksall; Sam	
State (Department)	•
State Police	Marcus Coffin
Supplemental Coordinator	Robin R. Risko
Talent and Economic Development	
Tax Analysis	
Technology, Management, and Budget	
Transfer Coordinator	
Transportation	
Treasury	
Unemployment Insurance	
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P.O. Box 30014 ■ Lansing, MI 48909-7514 (517) 373-8080 www.house.mi.gov/hfa