



# **Budget Briefing: Insurance and Financial Services**

Marcus Coffin, Fiscal Analyst

February 2019

# Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

# Department of Insurance and Financial Services

- The Department of Insurance and Financial Services (DIFS) is responsible for:
  - Regulating, licensing, examining, evaluating, and promoting Michigan's insurance and financial services industries
  - Consumer protection via management of consumer information and inquiries and investigation of consumer complaints
- DIFS regulates the following entities:
  - State-chartered banks and credit unions
  - Mortgage brokers, lenders, and servicers
  - Consumer finance entities
  - Insurance companies, agents, and products
  - Health maintenance organizations

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2018-19 is October 1, 2018 through September 30, 2019.

**Appropriation:** Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

**Line Item:** Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

**Boilerplate:** Specific language sections in a budget 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 designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

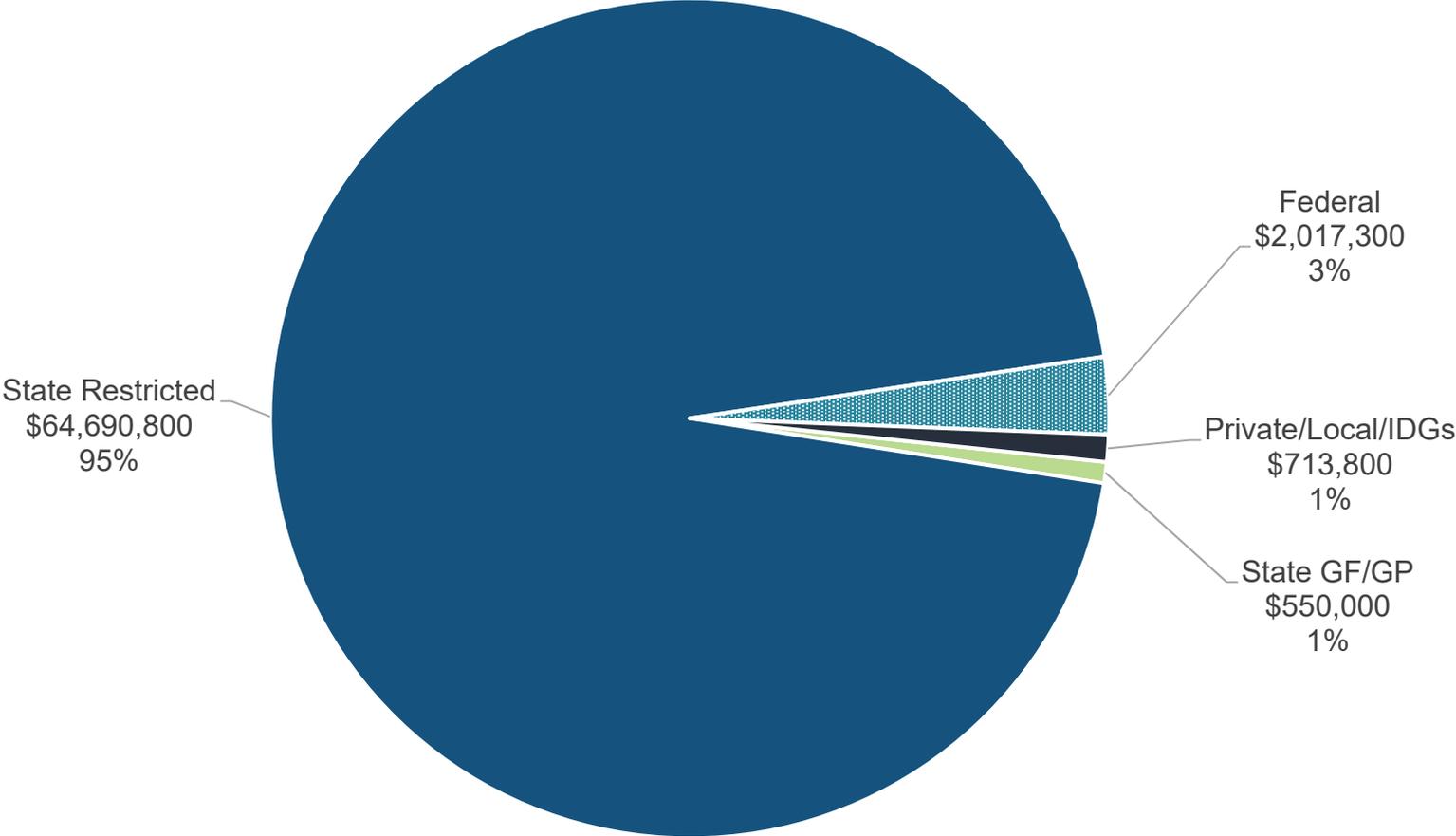
# Funding Sources

# FY 2018-19 DIFS Budget

Fund Source	Funding	Description
Gross Appropriations	\$67,971,900	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	713,800	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$67,258,100	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	2,017,300	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	64,690,800	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$550,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

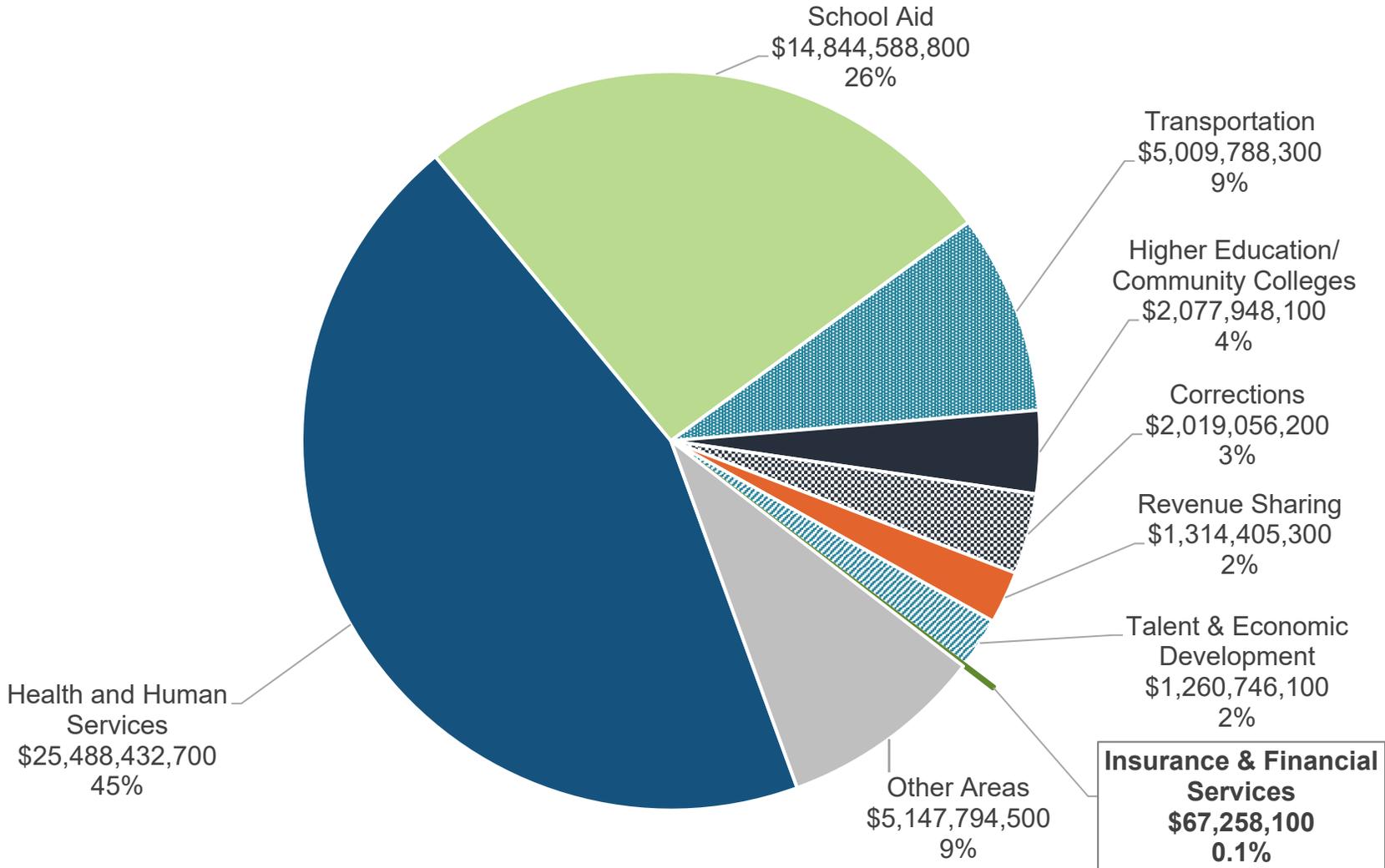
# FY 2018-19 Fund Sources

Approximately 95% of the **\$68.0 million** DIFS budget is funded by state restricted revenue, which is generated from fees and fines levied on individuals and entities regulated by DIFS.



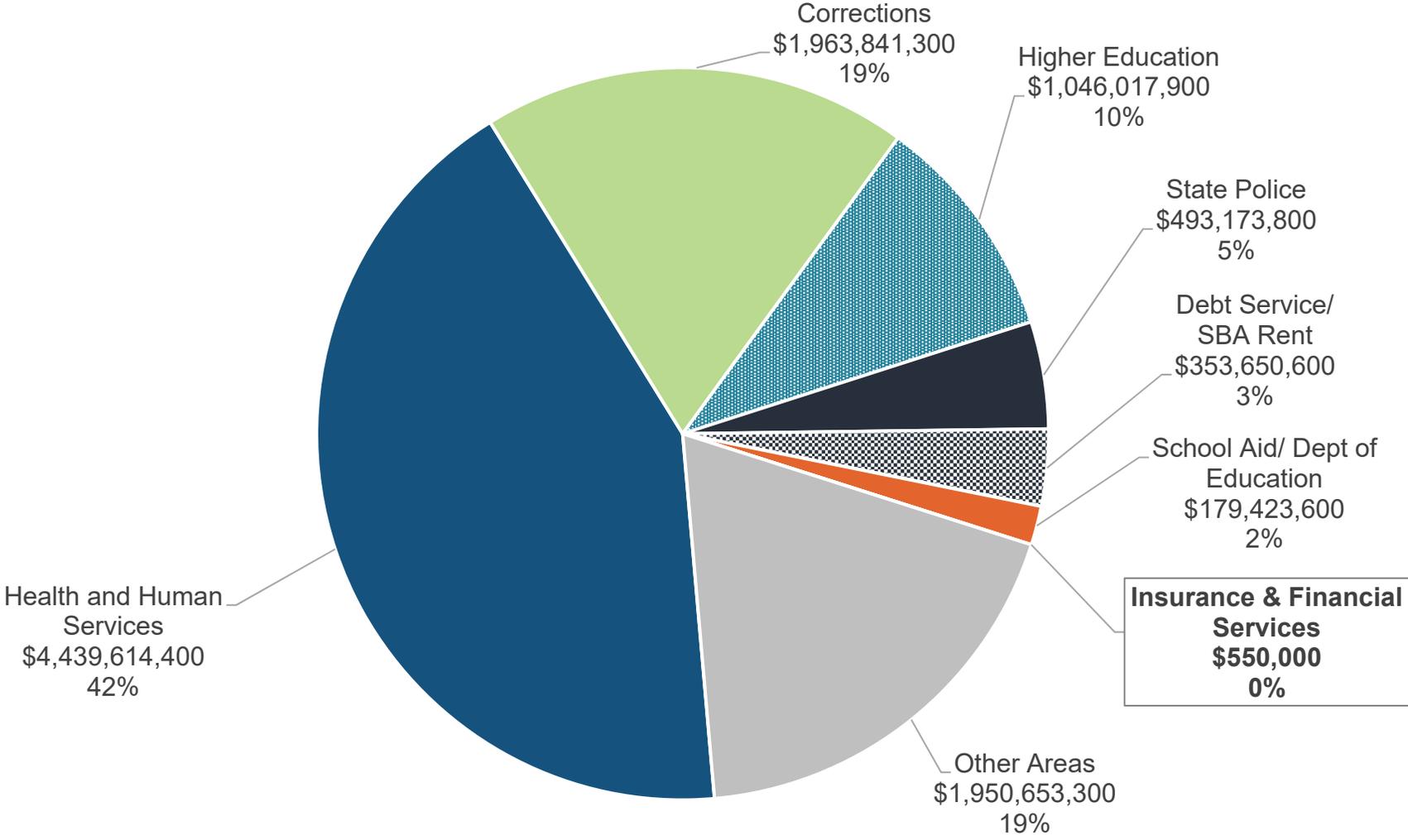
# DIFS Share of Total State Budget

The DIFS budget represents less than 1% of the **\$57.2 billion** state budget (adjusted gross) for FY 2018-19.



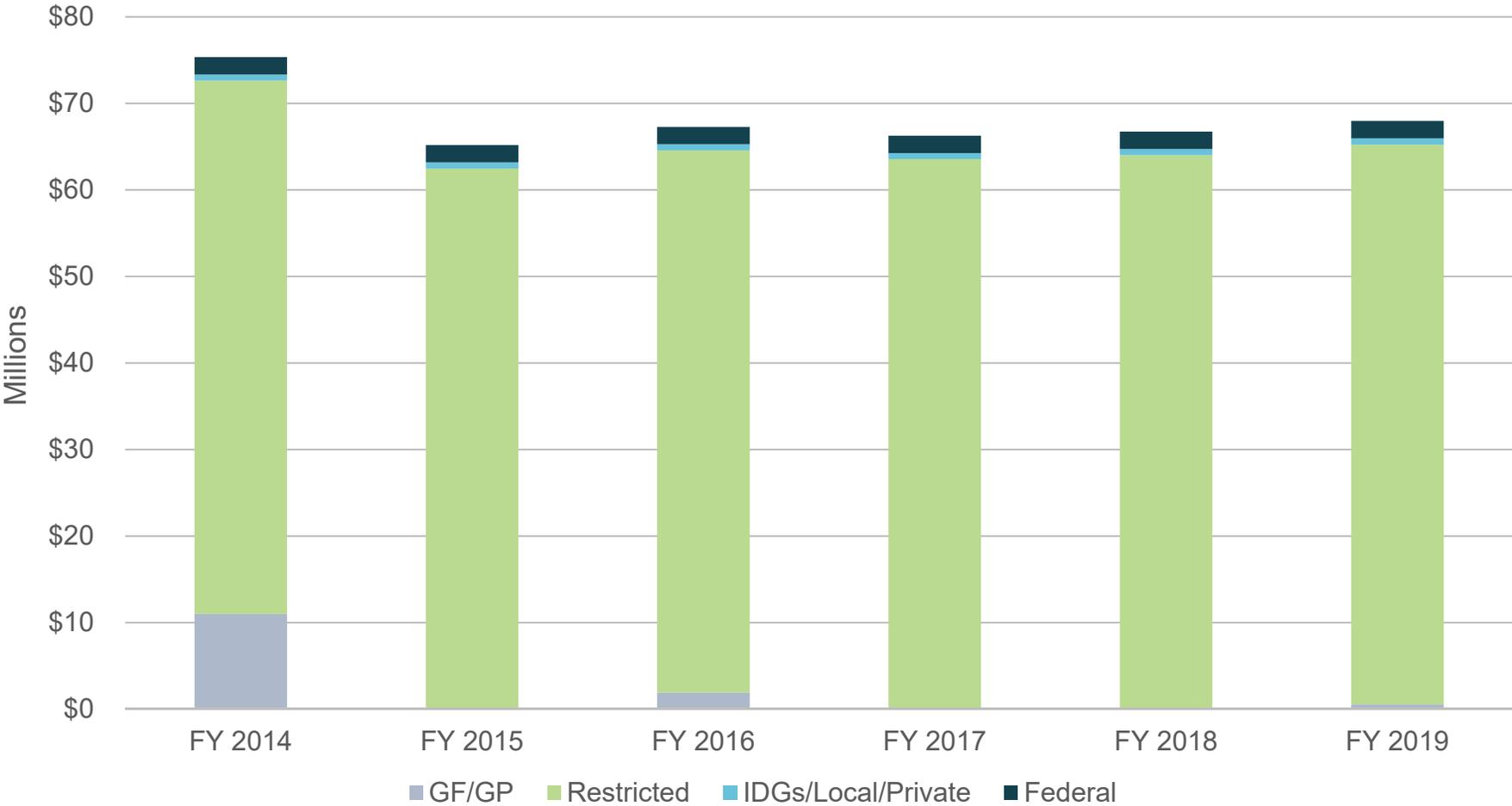
# DIFS Share of Total GF/GP Budget

The DIFS budget represents a negligible amount of the state's **\$10.4 billion** GF/GP budget for FY 2018-19.



# DIFS Funding History

Funding for DIFS, specifically GF/GP, substantially declined in FY 2014-15, due to elimination of the Autism Coverage Fund appropriation. Over the past five fiscal years, gross appropriations have been stable, averaging **\$66.7 million** over the period.



Note: DIFS functions were appropriated within LARA prior to FY 2013-14

# Appropriation Areas

# DIFS Appropriation Areas

**Departmental Administration and Support:** Unclassified personnel, executive direction, administrative functions, and various departmental overhead expenses

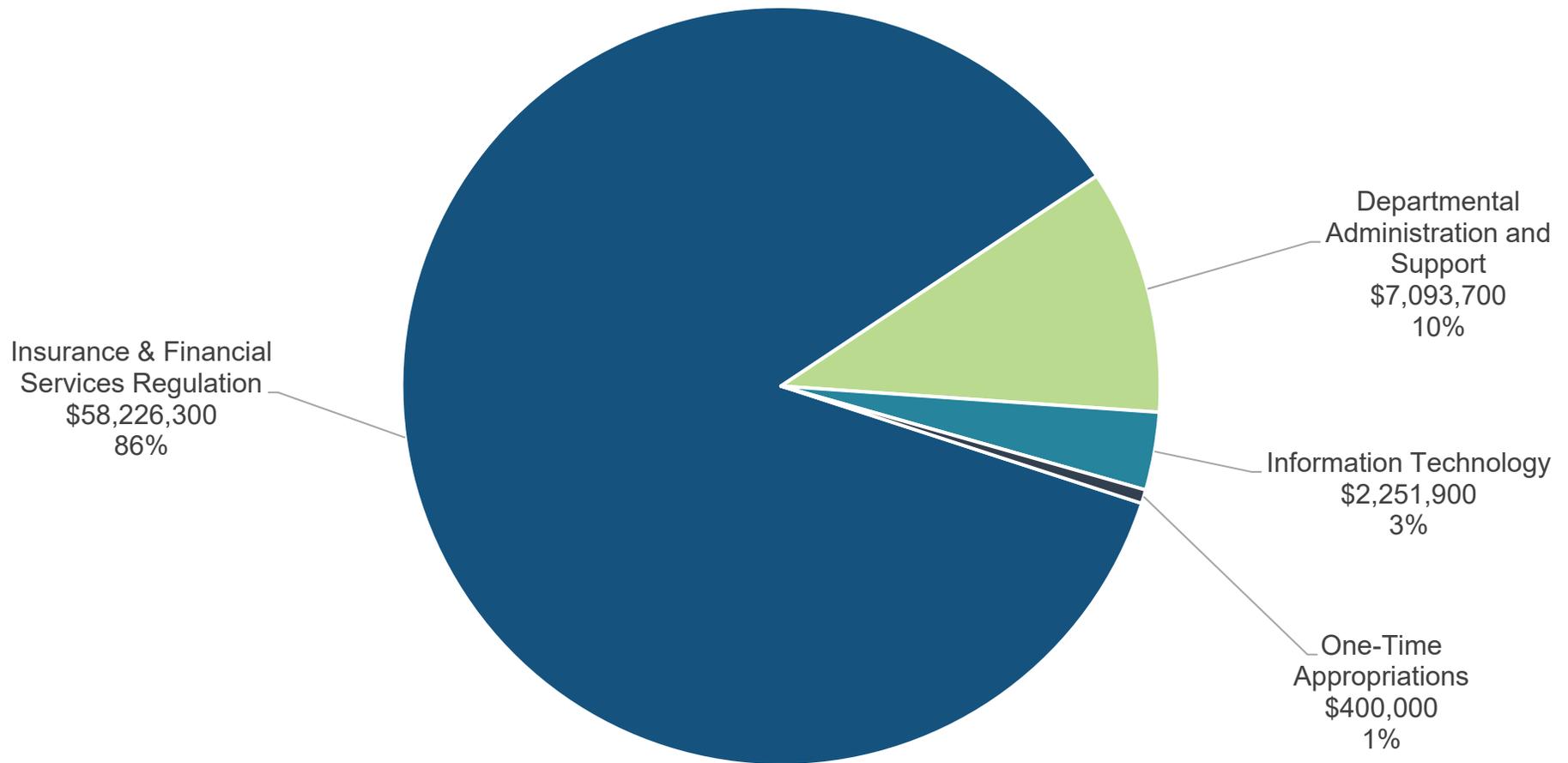
**Insurance & Financial Services Regulation:** Regulatory oversight of the insurance and financial services industries, legal counsel, and consumer services and protection

**Information Technology:** Supports information technology services and projects provided for DIFS by the Department of Technology, Management, and Budget

**One-Time Appropriations:** Includes funding for a Section 1332 State Innovation Waiver Study

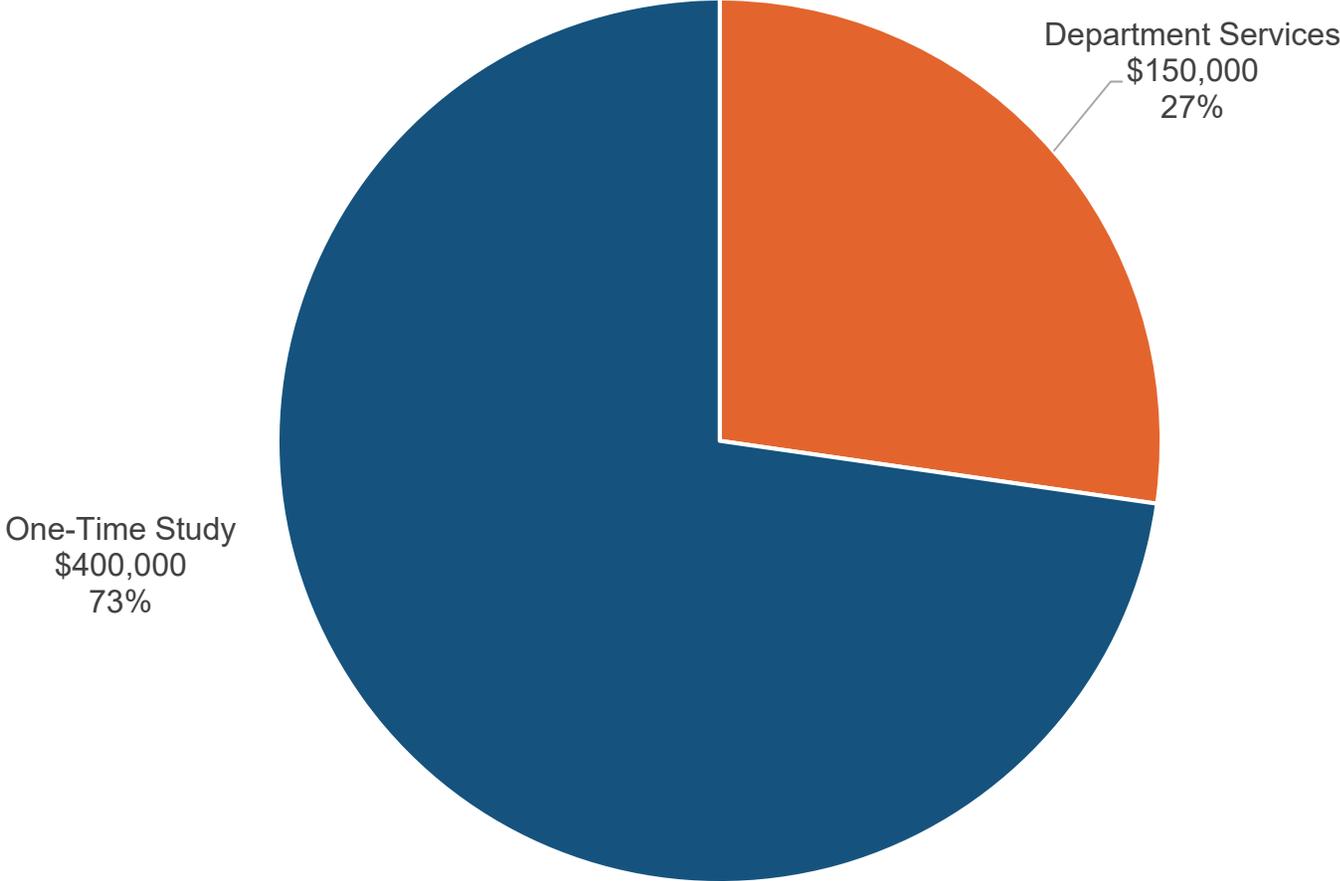
# FY 2018-19 Gross Appropriations

About 10% of the **\$68.0 million** DIFS budget supports executive and administrative functions and departmental overhead expenses.



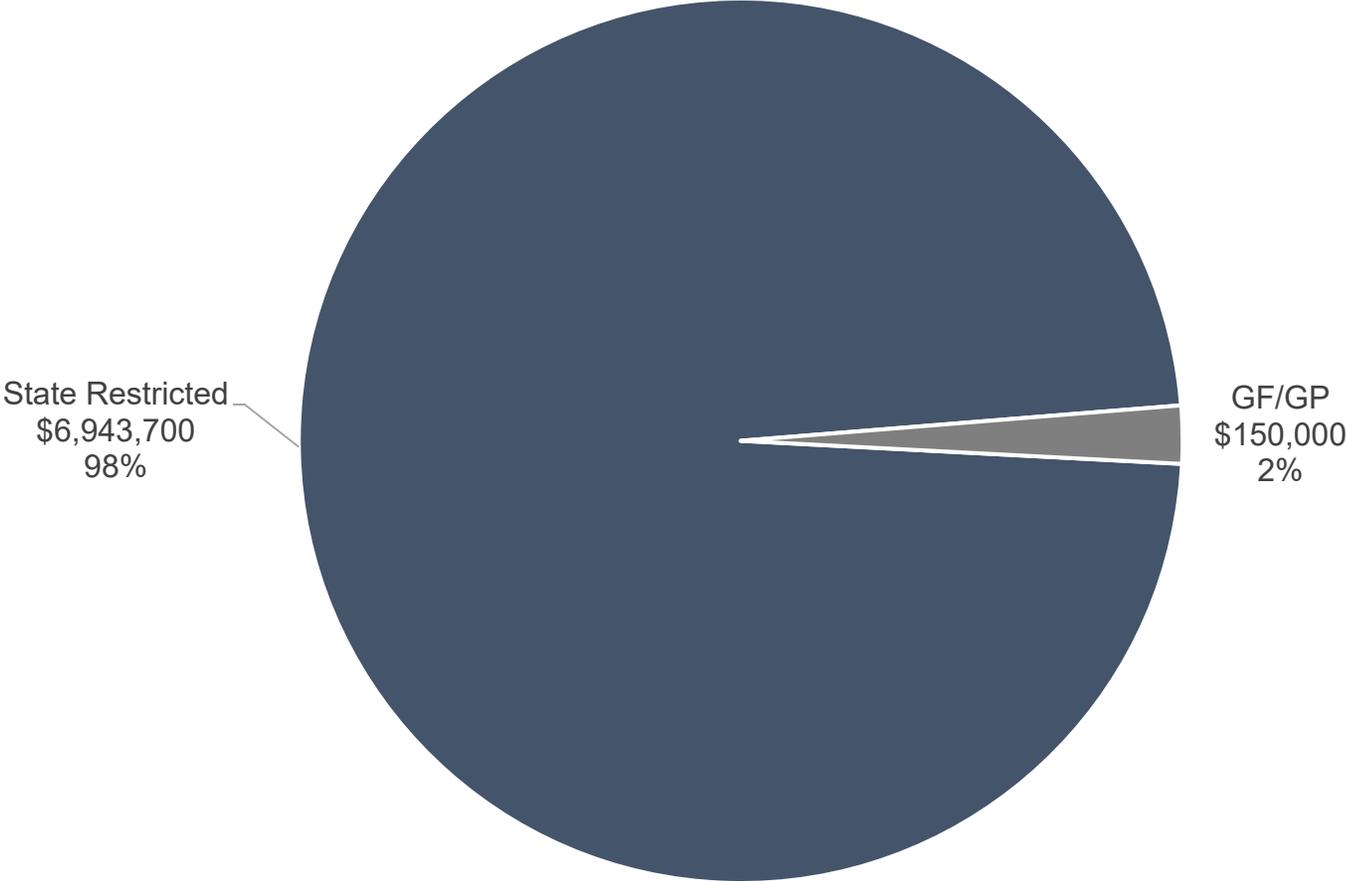
# FY 2018-19 GF/GP Appropriations

GF/GP funds (totaling **\$550,000**) are used exclusively for expenses associated with Healthy Michigan Plan reporting and for a study that would support the state's application for a state innovation waiver under the Affordable Care Act (ACA).



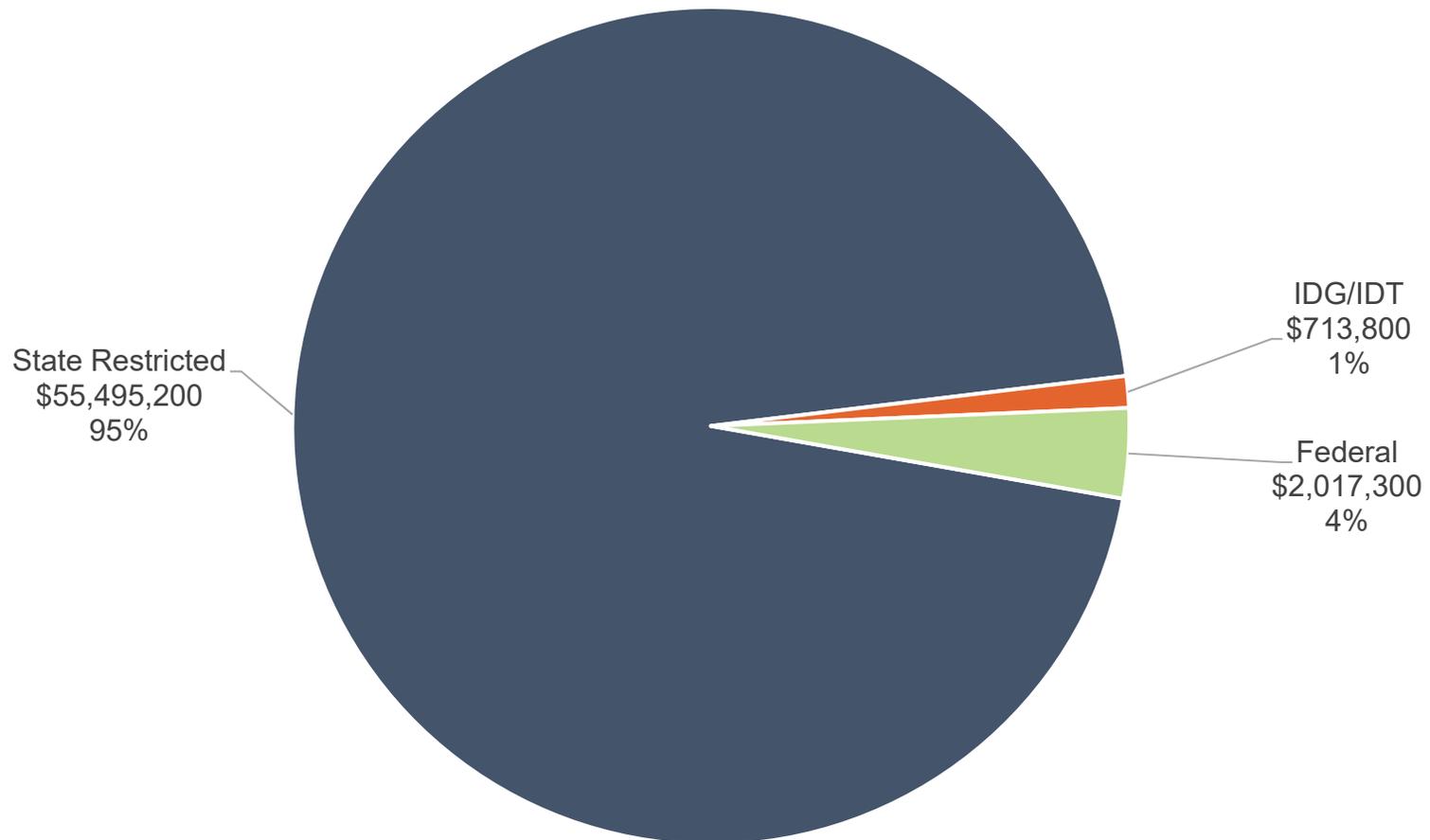
# Departmental Administration and Support

Supports the department services, property management, executive director programs, unclassified salaries, administrative hearings, and workers' compensation line items.



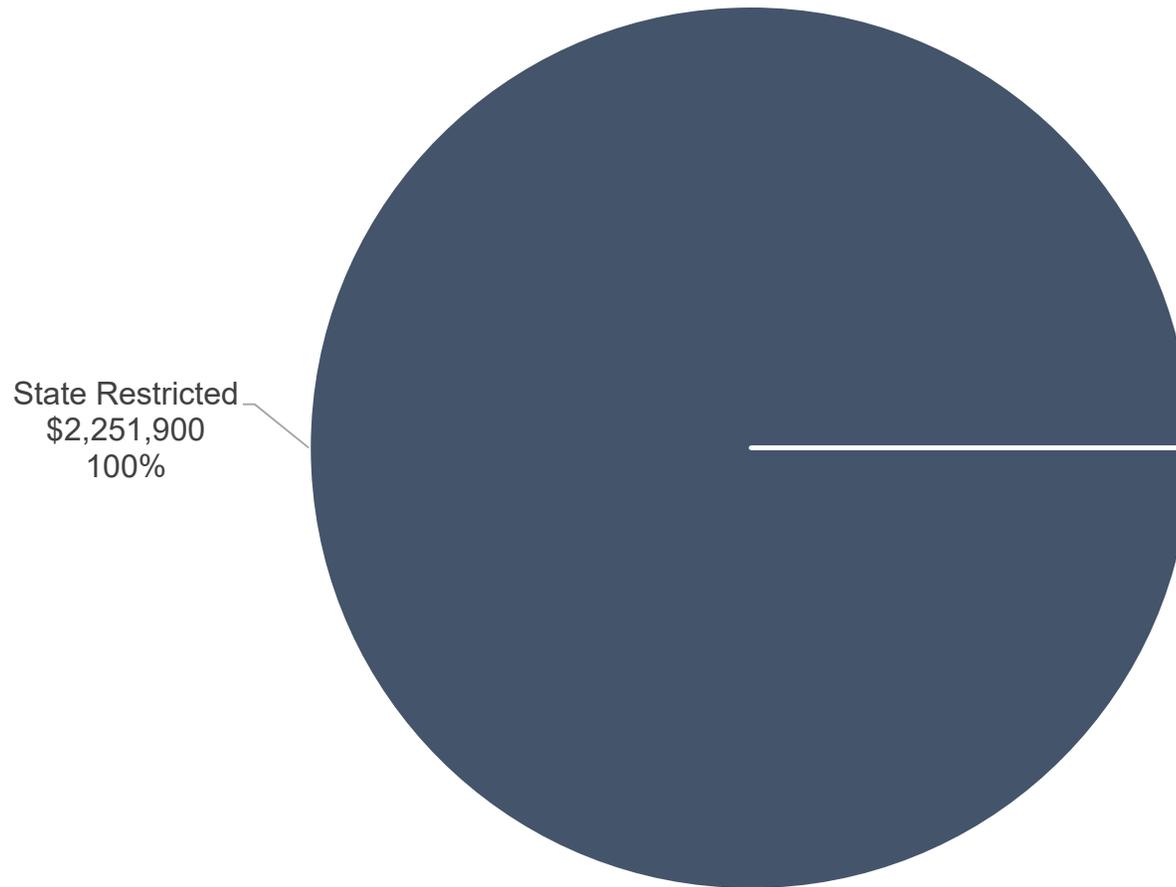
# Insurance and Financial Services Regulation

Supports the consumer services and protection, financial institutions evaluation, and insurance evaluation line items.



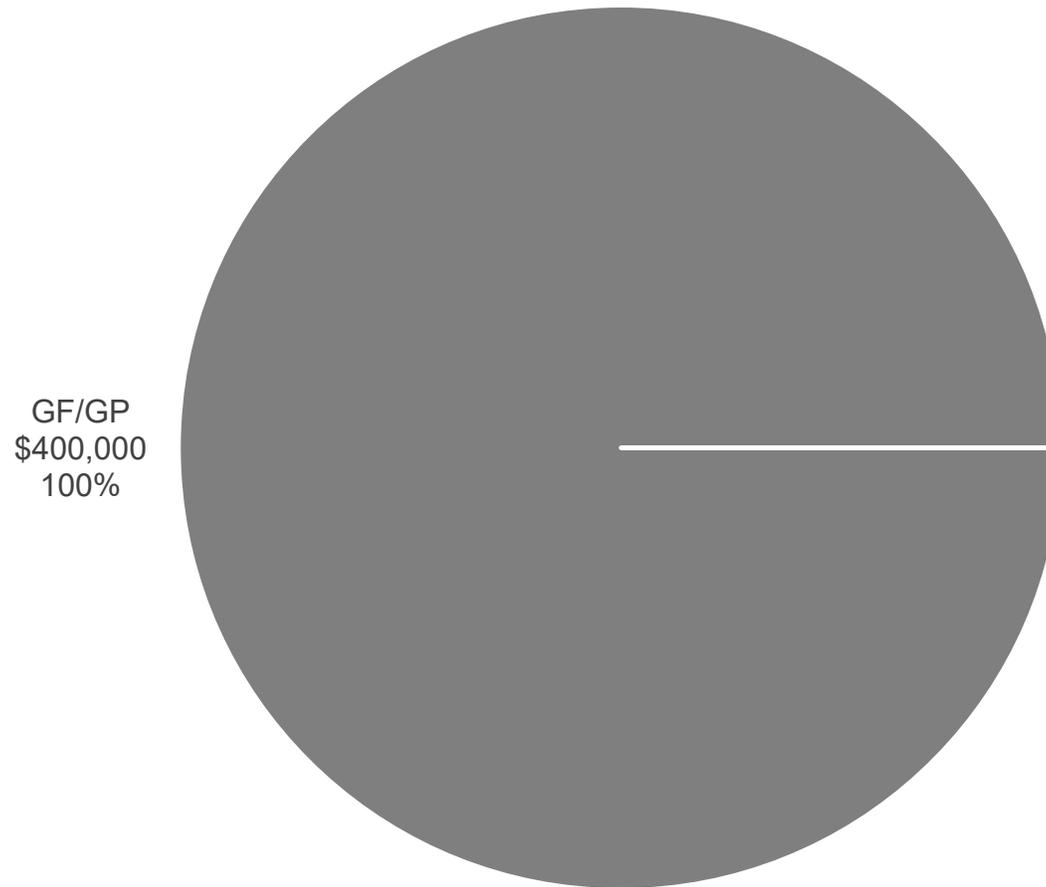
# Information Technology

Supports the information technology services and projects line item.



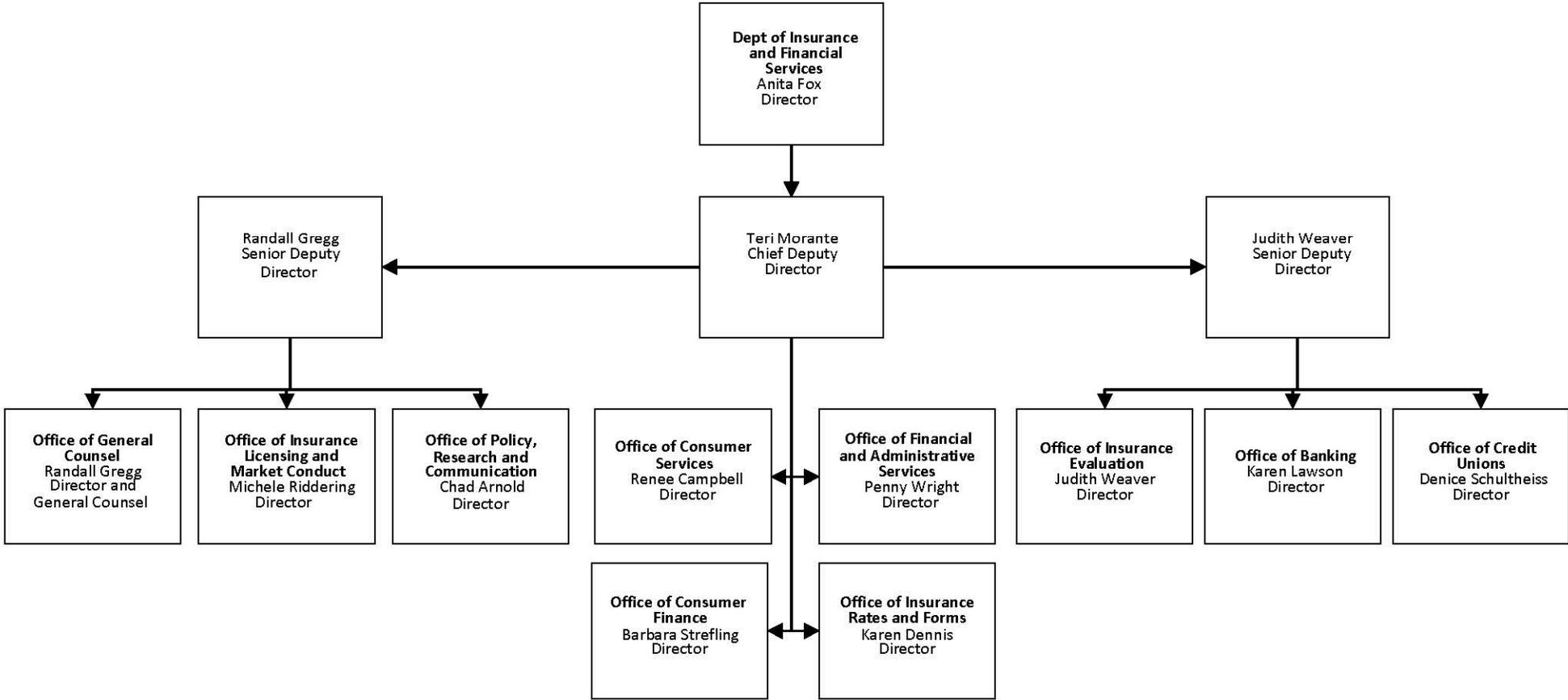
# One-Time Appropriations

Supports the insurance evaluation enhancement line item.



# Major Budget Topics

# DIFS Organizational Chart



# Entities Licensed by DIFS

Type of Entity	Number Regulated in CY 2016	Number Regulated in CY 2017	Change (Decrease)
HMOs	25	24	(1)
Banks	83	81	(2)
Credit Unions	155	146	(9)
Domestic Insurance Companies	130	125	(5)
Foreign Insurance Companies	1,455	1,467	12
Insurance Agents	244,905	257,782	12,877
Insurance Agencies	19,445	19,853	408
Mortgage Licensees	12,231	13,909	1,678
Deferred Presentment Companies	559	522	(37)
Other Consumer Finance	2,655	2,677	22

# One-Time Appropriations

- \$400,000 for an actuarial study necessary for the state's application for a state innovation waiver under the ACA.
- Approved waivers allow states to innovate in how they provide access to health care, while retaining the basic protections afforded by the ACA.
- Examples of innovation waivers in other states include:
  - State Reinsurance Programs (Alaska, Minnesota, Oregon)
  - Premium Assistance Programs (Hawaii)
- On December 4, 2018, DIFS selected NovaRest Inc., based in Sahuarita, AZ, to conduct the study.

# For more information about the Insurance and Financial Services budget:

## HFA Resources

<http://www.house.mi.gov/hfa/InsFinancialServices.asp>

## Contact Information

Marcus Coffin

Fiscal Analyst

[mcoffin@house.mi.gov](mailto:mcoffin@house.mi.gov)

(517) 373-8080