

**Summary: Executive Budget Recommendation
for Fiscal Year 2019-20
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**



Analyst: Marcus Coffin

	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19	Executive	Amount	%
IDG/IDT	\$713,800	\$723,100	\$9,300	1.3
Federal	2,017,300	1,017,600	(999,700)	(49.6)
Local	0	0	0	--
Private	0	0	0	--
Restricted	64,690,800	66,999,100	2,308,300	3.6
GF/GP	550,000	150,000	(400,000)	(72.7)
Gross	\$67,971,900	\$68,889,800	\$917,900	1.4
FTEs	342.5	352.5	10.0	2.9

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

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 the state. The department also provides consumer protection by managing consumer information and inquiries and investigating consumer complaints. DIFS 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.

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations	FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
1. Anti-Fraud Unit	FTE	NA
Includes \$499,300 Gross (\$0 GF/GP) and authorization for 6.0 FTE positions for the Anti-Fraud Unit, created under Executive Order 2018-9. The unit will provide the department greater ability to conduct background checks and to investigate instances of fraudulent activity in the financial services and insurance industries.	Gross	NA
	IDG	NA
	Restricted	NA
	GF/GP	NA
		6.0
		\$499,300
		1,400
		497,900
		\$0
2. Removal of FY 2018-19 One-Time Funding	Gross	\$400,000
Eliminates \$400,000 GF/GP that was included in the FY 2018-19 budget to fund an actuarial and economic study to support the pursuit of a state innovation waiver, available under section 1332 of the Patient Protection and Affordable Care Act.	GF/GP	\$400,000
		(\$400,000)
		(\$400,000)
3. Net-to-Zero Fund Shift	Gross	NA
Reflects the replacement of federal funding with restricted funding (due to reductions in federal funding); includes fund source adjustments to align with the department's cost allocation plan.	Federal	NA
	Restricted	NA
	GF/GP	NA
		(1,000,000)
		1,000,000
		\$0
4. FTE Position Authorization Increase	FTE	NA
Authorizes 4.0 additional FTE positions to address workload increases in the Insurance Evaluation and Financial Institutions Evaluation line items. Due to recent statutory changes to the Insurance Code of 1956, departmental responsibilities have increased with respect to licensing insurance agents, maintaining continuing education programs, and approving qualifying insurance companies.	Gross	NA
	GF/GP	NA
		4.0
		\$0
		\$0

<u>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</u>	<u>FY 2018-19 YTD (as of 3/5/19)</u>	<u>Executive Change from YTD</u>	
5. Economic Adjustments	Gross	NA	\$818,600
Reflects increased costs of \$818,600 (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG	NA	7,900
	Federal	NA	300
	Restricted	NA	810,400
	GF/GP	NA	\$0

Major Boilerplate Changes From FY 2018-19

Sec. 207. Out-of-State Travel Requirements and Report – REVISED

Stipulates limitations regarding the conditions 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 out-of-state travel. Revises to strike sections delineating conditions under which out-of-state travel is permissible and to modify the requirements for information contained within the report.

Sec. 218. Communication with the Legislature – DELETED

Prohibits DIFS from taking disciplinary action against an employee for communicating with a member of the legislature or their staff.

Sec. 219. Television and Radio Productions – DELETED

Prohibits DIFS from developing or producing television or radio productions.

Sec. 220. Healthy Michigan Plan Accounting Structure – DELETED

Requires DIFS, in conjunction with the Department of Health and Human Services, to maintain an accounting structure within the state's accounting system that facilitates the identification of expenditures associated with the Healthy Michigan Plan.

Sec. 221. Appropriation for Healthy Michigan Plan Statutory Reporting Requirements – DELETED

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

Sec. 222. Insurance Bureau Fund Use – DELETED

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.

Sec. 301. Health Insurance Rate Filings Report – DELETED

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

Sec. 401. Section 1332 State Innovation Waiver Study – DELETED

Requires DIFS to use one-time GF/GP funding to have an actuarial firm complete a study capable of supporting the state's pursuit of a state innovation waiver, available under section 1332 of the Patient Protection and Affordable Care Act; outlines material to be contained in the study.