

INSURANCE DEPARTMENT (AGENCY 0425)

FISCAL YEARS 2018 & 2019

PER EXECUTIVE RECOMMENDATION

**I) AGENCY SUMMARY & REVENUE SOURCES**

**MISSION**

According to Arkansas Code § 23-61-101(c)(1)(A) and (B),

"(A) The purpose of the department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.

(B) The primary mission of the department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence."

**TOTAL APPROPRIATION**

The total appropriation is \$97,697,148 in FY2018 and \$97,735,812 in FY2019.

**FUNDING SOURCES**

Special revenue (fees, premiums collected), trust funds (interest income, earnings, adjustments, grants, refunds, gifts), federal funds, employer workers' compensation benefits contributions (revolving funds), existing fund balances and cash.

**II) CHANGE LEVEL REQUESTS**

**STATE OPERATIONS (APPROPRIATION 2SW)**

This appropriation is used to defray the expenses of the State Insurance Department in the discharge of its administrative and regulatory powers and duties. It is funded by special revenues which are fees assessed or imposed upon insurers, insurance agents, brokers, professional bail bond companies, and other licensees or registrants and other regulatory fees. The total appropriation is \$13,425,111 in FY2018 and \$13,463,407 in FY2019 and includes a change level request for the following:

**Regular Salaries and Matching** - Decrease of \$153,536 each fiscal year to reflect a reduction of four (4) positions: one (1) Administrative Specialist (C109), one (1) Fiscal Support Specialist (C112), one (1) Administrative Specialist III (C112) and one (1) Legal Support Specialist (C113).

**Operating Expenses** - increase of \$15,226 in FY18 and \$200,633 in FY19 to cover office space rent increases.

**Capital Outlay** - increase of \$155,000 each fiscal year for scheduled replacement and upgrading of technology indicated in the Department's IT plan and replacement of non-IT equipment.

**FRAUD INVESTIGATION UNIT (APPROPRIATION 2SX)**

This appropriation supports fraud investigation efforts and is funded by an annual regulatory fee collected from each company under the Department's jurisdiction.

The total appropriation is \$1,114,534 each fiscal year includes a change level request for the following:

**Regular Salaries and matching** - decrease of \$37,076 each year to reflect a reduction of one (1) Administrative Specialist III (C112) position.

**III) ADDITIONAL POSITIONS (Total FY2017 Authorized Positions: 212)**

Total Positions for FY 2019: 184

Total Positions for FY 2018: 184

Total Base Level Positions: 189

Increase / (Decrease): (5)

Extra Help Positions FY2018 and FY2019: (Total FY2017 Authorized Extra Help: 19)

**IV) SPECIAL LANGUAGE**

**TRANSFER PROVISION:** Recommends language that allows unused appropriations in Regular Salaries, Extra Help, and Personal Services Matching to be transferred to Professional Services special line item for contracting with qualified individuals or firms for exam assistance in the event the Department cannot maintain a full roster of examination personnel.

**HEALTHCARE INDEPENDENCE PROGRAM AND ARKANSAS HEALTH INSURANCE**

**MARKETPLACE RESTRICTIONS:** Language prohibits the Department of Insurance from budgeting, allocating, or expending any funds for the purpose of advertising or promoting the Healthcare Independence Program or Health Insurance Marketplace. Additionally, the language prohibits the Department of Insurance from budgeting, allocating, or expending any funds for the Navigator programs of the Healthcare Independence Program and Health Insurance Marketplace.

**FUNDING RESTRICTIONS:** The Insurance Department shall not allocate, budget, expend, or commit any funds for final implementation of a state-based health insurance exchange until after the decision of the United States Supreme Court in King v. Burwell.

**\*NEW LANGUAGE\* INSURANCE BUILDING CONSTRUCTION:** Language authorizes the Department, upon request of the Commissioner and the approval of the Chief Fiscal Officer of the State, to retain an amount above that which is set out in statute 23-61-710(c) (equal to one (1) fiscal year of operating expenses for the Department and not to exceed eight million dollars (\$8,000,000) to be used for the construction and renovation of Department facilities. The amount being requested must be submitted to the Chief Fiscal Officer of the State by April 1<sup>st</sup> of each fiscal year.

October 15, 2016