



**ANALYSIS OF THE NEW JERSEY BUDGET**

**DEPARTMENT OF  
BANKING AND INSURANCE**

**FISCAL YEAR**

**2014 - 2015**

# NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Commerce, Labor and Industry Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Robin Cincotta Ford.

Questions or comments may be directed to the OLS Commerce, Labor and Industry Section ( Tel. 609-847-3845) or the Legislative Budget and Finance Office (Tel. 609-847-3105).

# DEPARTMENT OF BANKING AND INSURANCE

Budget Pages..... C-3, C-10, C-17, D-21 to D-27

## **Fiscal Summary (\$000)**

	Expended FY 2013	Adjusted Appropriation FY 2014	Recommended FY 2015	Percent Change 2014-15
State Budgeted	\$56,944	\$64,013	\$64,013	—
Federal Funds	\$789	0	0	—
<u>Other</u>	<u>\$422</u>	<u>\$480</u>	<u>\$440</u>	<u>( 8.3%)</u>
Grand Total	\$58,155	\$64,493	\$64,453	( 0.1%)

## **Personnel Summary - Positions By Funding Source**

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2014-15
State	0	0	0	—
Federal	4	4	4	—
<u>Other</u>	<u>492</u>	<u>471</u>	<u>511</u>	<u>8.5%</u>
Total Positions	496	475	515	8.4%

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

## Highlights

- The FY 2015 Budget Recommendation includes a \$64.453 million appropriation for the Department of Banking and Insurance, an overall decrease of \$40,000 (0.1%) from the FY 2014 adjusted appropriation.
- The decrease of \$40,000 is reflective of a decrease in “All Other Funds” attributable to a reduction in salaries within the Small Employer Health Benefits Program. In addition, the FY 2015 Budget Recommendation incorporates two offsetting budget recommendations, a \$130,000 (0.6%) increase in appropriations for Consumer Protection Services and Solvency Regulations, and a \$130,000 (2.3%) decrease to Actuarial Services. According to the department, this shift is needed to adequately fund increased enforcement activities by the Division of Enforcement and Licensing - Consumer Protection Services and Solvency Regulations.
- The department’s activities are entirely funded through revenue collected from fees and assessments imposed on the industries it regulates, and in certain years, federal funding.
- The FY 2015 Budget Recommendation anticipates a total of \$144.38 million in State revenue (pages C-3 and C-10) for the department, a net increase of \$5.435 million (3.9%) from the revised FY 2014 estimate of \$138.5 million. The Office of Legislative Services notes that the FY 2014 Appropriations Act incorporated certified FY 2014 revenues of \$122.53 million for the department; hence the revised FY 2014 total of \$138.5 million represents 13 percent growth above certified revenues.
- The net increase in departmental revenues of \$5.435 million is comprised of: \$5.51 million from fees collected by the New Jersey Real Estate Commission, \$228,000 from Banking Licenses and Other Fees, and \$187,000 from various other departmental revenues. The increases are offset by reductions in anticipated revenue as follows: \$320,000 from HMO Covered Lives, \$130,000 from Insurance Special Purpose Assessments, and \$40,000 from Small Employer Health Benefits.
- The increase in fees collected by the New Jersey Real Estate Commission is attributable to the fact that FY 2015 is a renewal year in a two-year licensing schedule. The \$228,000 (12%) increase anticipated for Banking License and Other Fees is, according to the Office of Management and Budget, due to the resumption of normal operations, after redirecting activities towards assisting citizens in the immediate aftermath of Hurricane Sandy.
- Although the FY 2015 Budget Recommendation anticipates no new federal funding in FY 2014 or FY 2015, the department reports that it will have four positions funded through federal appropriations for both years. The department has received federal funding in recent years for rate review, Exchange establishment and consumer assistance related to the implementation of the Affordable Care Act.

**Highlights (Cont'd)**

- The FY 2015 Budget Recommendation (page D-25) includes an estimate of 515 funded positions in FY 2015. This is 40 more positions than the number filled in FY 2014 and 19 more than the actual number of positions in FY 2013. Almost half of the new positions are for the Consumer Protection Services and Solvency Regulation program class.

**Fiscal and Personnel Summary**

**AGENCY FUNDING BY SOURCE OF FUNDS (\$000)**

	Expended FY 2013	Adj. Approp. FY 2014	Recom. FY 2015	Percent Change	
				2013-15	2014-15
<b>General Fund</b>					
Direct State Services	\$56,944	\$64,013	\$64,013	12.4%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$56,944</b>	<b>\$64,013</b>	<b>\$64,013</b>	<b>12.4%</b>	<b>0.0%</b>
<b>Property Tax Relief Fund</b>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Revenue Fund</b>	\$0	\$0	\$0	0.0%	0.0%
<b>Casino Control Fund</b>	\$0	\$0	\$0	0.0%	0.0%
<b>State Total</b>	<b>\$56,944</b>	<b>\$64,013</b>	<b>\$64,013</b>	<b>12.4%</b>	<b>0.0%</b>
<b>Federal Funds</b>	\$789	\$0	\$0	( 100.0%)	0.0%
<b>Other Funds</b>	\$422	\$480	\$440	4.3%	( 8.3%)
<b>Grand Total</b>	<b>\$58,155</b>	<b>\$64,493</b>	<b>\$64,453</b>	<b>10.8%</b>	<b>( 0.1%)</b>

**PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE**

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change	
				2013-15	2014-15
State	0	0	0	0.0%	0.0%
Federal	4	4	4	0.0%	0.0%
All Other	492	471	511	3.9%	8.5%
<b>Total Positions</b>	<b>496</b>	<b>475</b>	<b>515</b>	<b>3.8%</b>	<b>8.4%</b>

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

**AFFIRMATIVE ACTION DATA**

Total Minority Percent	28.6%	29.7%	28.0%	---	---
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**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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**ECONOMIC REGULATION****ANTICIPATED REVENUE**

<b>Real Estate Commission</b>	<b>\$4,490</b>	<b>\$10,000</b>	<b>\$ 5,510</b>	<b>122.7%</b>	<b>C-3</b>
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The FY 2015 Budget Recommendation anticipates \$10 million in revenue from the New Jersey Real Estate Commission, a \$5.51 million (122.7%), increase from FY 2014. This increase can be attributed to the fact that FY 2015 is a renewal year in a two-year licensing schedule.

The New Jersey Real Estate Commission issues licenses to real estate brokers and salespersons, real estate schools, and course instructors, and establishes standards of practice for the real estate brokerage profession.

<b>Banking – Licenses and other fees</b>	<b>\$1,922</b>	<b>\$2,150</b>	<b>\$ 228</b>	<b>11.9%</b>	<b>C-3</b>
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The FY 2015 Budget Recommendation anticipates \$2.15 million in revenue from Banking-licenses and other fees, a \$228,000 (11.9%) increase from FY 2014.

According to the Office of Management and Budget, in “the immediate aftermath of Super Storm Sandy, normal operations were redirected towards assisting citizens and away from normal activities. It is anticipated that in FY 2015, the Division of Examination will resume normal operations which is why revenue is anticipated to increase.” The Office of Legislative Services is unaware of changes in licensing and related activity during the prior year.

The division issues many different licenses; including, but not limited to, consumer lending licenses, licenses related to the mortgage industry, check cashing licenses, debt adjusting licensing, and high cost home loan credit counseling licenses. The fees for each license vary.

<b>HMO Covered Lives</b>	<b>\$770</b>	<b>\$450</b>	<b>(\$ 320)</b>	<b>( 41.6%)</b>	<b>C-3</b>
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The FY 2015 Budget Recommendation anticipates \$450,000 in revenue from HMO Covered Lives, a \$320,000 (41.6%) decrease from FY 2014. According to the department, this decrease can be attributed to a decrease in the number of HMO enrollees in the State.

Section 18 of P.L.2002, c.34 (C.26:2J-23) established a fee charged to HMOs, in the amount of \$1.50 per covered life per year, collected by the department. The revenue from this fee is used both for the administrative costs of the Department of Health (approximately \$100,000 a year) and as an offset to the special purpose assessment charged insurers pursuant to P.L.1995, c.156 (C.17:1C-19 et seq.).

**Significant Changes/New Programs (\$000) (Cont'd)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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The division monitors the compliance of HMOs with New Jersey rules through in-depth reviews and targeted examinations. The division investigates consumer complaints concerning HMOs and other carriers offering managed care health benefits plans.

**APPROPRIATED REVENUE**

<b>Small Employer Health Benefits</b>	<b>\$480</b>	<b>\$440</b>	<b>(\$ 40)</b>	<b>( 8.3%)</b>	<b>C-10</b>
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**ALL OTHER FUNDS**

**ANTICIPATED APPROPRIATIONS**

<b>Consumer Protection Services and Solvency Regulation</b>	<b>\$480</b>	<b>\$440</b>	<b>(\$ 40)</b>	<b>( 8.3%)</b>	<b>D-26</b>
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The FY 2015 Budget Recommendation anticipates \$440,000 in revenue from the Small Employer Health Insurance Assessment, a \$40,000 (8.3%), decrease from FY 2014. The decrease in revenue is matched by an equal decrease in the anticipated appropriations for Consumer Protection Services and Solvency Regulation under "All Other Funds" on page D-26. According to the department, the decrease can be attributed to a staffing change within the Small Employer Health Benefits Program.

The Small Employer Health Benefits Program (SEH), enacted pursuant to P.L. 1992, c.162 (C. 17B:27A -17 et seq.), was established to provide small employers (those with 2 – 50 employees) with the option to purchase standardized health benefits plans. Pursuant to section 16 of P.L.1992, c.162 (C.17B:27A-32), the department charges an assessment on all Small Employer Health Insurance carriers for the reasonable and necessary organizational and operating expenses of the SEH board of directors.



## Significant Language Changes

The FY 2015 Budget Recommendation for the Department of Banking and Insurance does not contain any changes in language provisions when compared to the FY 2014 Appropriations Act.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.  
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

## OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2015 budget are encouraged to contact:

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