

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2098

STATE OF NEW JERSEY

DATED: JUNE 23, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2098.

This bill, the Governor's proposed FY 2011 budget recommends the enactment of legislation, consistent with a recommendation included in the Department of Banking and Insurance transition report, to modify the structure of the Office of Insurance Fraud Prosecutor in order to enhance the effectiveness, responsiveness, and cost-efficiency of that office. This bill is consistent with the administration's goal of enhancing the State's response to fraud committed against the public at large, including fraud involving public resources. Under the bill, the Division of Insurance Fraud Prevention in the Department of Banking and Insurance will be renamed the Bureau of Fraud Deterrence and will be responsible for enforcing civil violations of the "New Jersey Insurance Fraud Prevention Act," which violations are punishable by the imposition of significant penalties. The bureau will work closely with the Department of Law and Public Safety to coordinate civil and criminal investigations and prosecutions.

FISCAL IMPACT:

According to information contained in the Governor's FY2011 Budget Recommendation, the changes proposed in this bill will result in a \$10 million reduction in funding for Insurance Fraud Prosecution Services. The funding reduction is matched by a \$10 million decrease in revenue estimated to be collected from the Insurance Fraud Prevention assessment. Insurance Fraud Prosecution Services are funds appropriated through the Department of Banking and Insurance (DOBI) budget but the services are currently provided by both DOBI and the Department of Law and Public Safety (LPS).

According to the Office of Management and Budget (OMB), the transfer of certain responsibilities from the Office of Insurance Fraud Prosecutor (OIFP) to the newly established Bureau of Fraud Deterrence will result in savings of \$5 million by ensuring that OIFP designated funds be expended solely on OIFP matters. OMB also asserts that an additional \$5 million in savings will be realized by eliminating grants currently made to counties for fraud prevention that go beyond the purpose of OIFP. The OLS does not have access to independent data to verify these statements.