

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 96
STATE OF NEW JERSEY

DATED: July 15, 1996

Assembly Bill No. 96 of 1996 creates a Department of Banking and Insurance as a principal department in the Executive Branch of State Government. The Department of Banking and the Department of Insurance are abolished and the functions, powers and duties of these departments are transferred to and consolidated in the new department. Both the existing Department of Banking and Department of Insurance are fully-funded by the industries they regulate, as will be the new department.

The Governor's FY 1997 Budget recommends an appropriation of \$39.2 million for the operation of the proposed Department of Banking and Insurance. The recommended appropriation is \$2.0 million less than the combined FY 1996 adjusted appropriation of \$41.2 million for both departments. According to the Administration, the \$2.0 million reduction will be realized through the elimination of a commissioner's office and other administrative functions and through the integration of the existing departments' licensing and enforcement divisions. Specifically, the Governor's proposal provides for the elimination of 31 full-time employees as a result of the merger.

The Office of Legislative Services (OLS) notes that the Governor's Budget further recommends that the decreased operating costs of the proposed department be reflected in reduced fees and assessments to banks, thrifts and insurance companies. This reduction in fees, while marginal, is intended to help increase the competitiveness of the State's financial service industry. Hence, the OLS notes that the proposed merger will not result in savings to the General Fund, since the \$2.0 million reduction in the department's State appropriation will be offset by a decline in revenues from fees. According to the Governor's Budget, anticipated revenues are expected to decrease from \$56.6 million in FY 1996 to \$54.2 million in FY 1997, or by \$2.4 million.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.