

LEGISLATIVE FISCAL ESTIMATE TO

SENATE, No. 1363

STATE OF NEW JERSEY

DATED: JUNE 24, 1996

Senate Bill No. 1363 of 1996 creates a Department of Banking and Insurance as a principal department in the Executive Branch of State Government. The functions, powers and duties of the Department of Banking and the Department of Insurance 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 \$41.2 million FY 1996 adjusted appropriation 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.

However, the Office of Legislative Services (OLS) notes that the Governor's Budget further recommends that the proposed department's decreased operating costs be reflected in a \$2.0 million reduction in 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 services industry. Thus, the OLS notes that the proposed merger will not result in any savings to the General Fund, as the \$2.0 million reduction in the department's State appropriation will be offset by a decline in the department's anticipated revenues. 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.

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.