

DEPARTMENT OF BANKING AND INSURANCE

Budget Pages C-3, C-9, C-16, D-23 to D-29

Fiscal Summary (\$000)

	Expended FY 2018	Adjusted Appropriation FY 2019	Recommended FY 2020	Percent Change 2019-20
State Budgeted	\$56,938	\$64,013	\$64,013	0.0%
Federal Funds	230	0	0	---
<u>Other</u>	<u>1,447</u>	<u>454</u>	<u>454</u>	<u>0.0%</u>
Grand Total	\$58,615	\$64,467	\$64,467	0.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2018	Revised FY 2019	Funded FY 2020	Percent Change 2019-20
State	0	0	0	---
Federal	2	0	0	---
<u>Other</u>	<u>450</u>	<u>426</u>	<u>515</u>	<u>20.9%</u>
Total Positions	452	426	515	20.9%

FY 2018 (as of December) and revised FY 2019 (as of January) personnel data reflect actual payroll counts. FY 2020 data reflect the number of positions funded.

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

Highlights

- The Department of Banking and Insurance'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 Governor's FY 2020 Budget recommends \$64.5 million in State and dedicated funds be appropriated for the department in FY 2020, which is the same as the current year's adjusted appropriations.
- The Governor's FY 2020 Budget funds 515 positions in the department in FY 2020, which is unchanged from the count of funded positions in FY 2019. Of the 515 funded FY 2019 positions, 426 were filled in January 2019. Of the 89-count difference between FY 2019 filled and funded positions, 69 unfilled but funded positions were located in the Consumer Protection Services and Solvency Regulation and the Bureau of Fraud Deterrence program classes.
- P.L.2018, c.24 directs the department to establish a health insurance reinsurance plan. The Health Insurance Premium Security Plan allows health insurance carriers that experience a sudden increase of high-cost claimants and claims to be reimbursed from the reinsurance fund. The department received federal approval and a commitment of financial support for the reinsurance plan for the period from January 1, 2019 through December 31, 2023. The Governor's FY 2020 Budget does not include financial information regarding the implementation and operation of the reinsurance plan.
- On March 22, 2019, the Governor announced that the State would move to a State-Based Health Exchange for calendar year 2021, assuming the enactment of legislation implementing the funding plan for the initiative. The State currently uses the federally-facilitated exchange. According to the press release, the Administration proposes using the annual amount the State pays as a federal exchange user fee - currently over \$50 million - to fund the State-Based Health Exchange and Affordable Care Act-related health insurance outreach and enrollment efforts. The Governor's FY 2020 Budget includes neither a readily identifiable appropriation nor a projection of dedicated revenue for these purposes.
- Out-of-State insurance companies pay two percent tax on premiums for fire insurance policies written on New Jersey properties. The New Jersey State Firemen's Association (NJSFA) receives collections from the tax and distributes about half of this money to the 538 local relief associations. The Governor proposes newly transferring \$33 million of the amounts otherwise deposited with the NJSFA to the General Fund as State revenue. The amount is included in estimated FY 2020 Insurance Premiums Tax collections of \$513.9 million.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2018	Adj. Approp. FY 2019	Recom. FY 2020	Percentage Change	
				2018-20	2019-20
General Fund					
Direct State Services	\$56,938	\$64,013	\$64,013	12.4%	0.0%
Grants-In-Aid	0	0	0	---	---
State Aid	0	0	0	---	---
Capital Construction	0	0	0	---	---
Debt Service	0	0	0	---	---
Sub-Total	\$56,938	\$64,013	\$64,013	12.4%	0.0%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	---	---
Grants-In-Aid	0	0	0	---	---
State Aid	0	0	0	---	---
Sub-Total	\$0	\$0	\$0	---	---
Casino Revenue Fund	\$0	\$0	\$0	---	---
Casino Control Fund	\$0	\$0	\$0	---	---
State Total	\$56,938	\$64,013	\$64,013	12.4%	0.0%
Federal Funds	\$230	\$0	\$0	(100.0%)	---
Other Funds	\$1,447	\$454	\$454	(68.6%)	0.0%
Grand Total	\$58,615	\$64,467	\$64,467	10.0%	0.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2018	Revised FY 2019	Funded FY 2020	Percentage Change	
				2018-20	2019-20
State	0	0	0	---	---
Federal	2	0	0	(100.0%)	---
All Other	450	426	515	14.4%	20.9%
Total Positions	452	426	515	13.9%	20.9%

FY 2018 (as of December) and revised FY 2019 (as of January) personnel data reflect actual payroll counts. FY 2020 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percentage	34.3%	36.2%	N/A	---	---
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Significant Changes/New Programs (\$000)

The Governor's FY 2020 Budget recommendation for the Department of Banking and Insurance *does not change any appropriation amount or contain any new program when compared to the FY 2019 Appropriations Act.*

Significant Language Changes

Diversion of Tax Revenue Dedicated to New Jersey State Firemen's Association

Addition

2019 Handbook: N/A
2020 Budget: p. F-12

101. Notwithstanding the provisions of R.S.54:18-1, or any law or regulation to the contrary, \$33,000,000 of the amount deposited with the New Jersey State Firemen's Association shall be transferred to the General Fund as State revenue.

Explanation

The Governor recommends including new language in the FY 2020 Appropriations Act that would transfer \$33.0 million of the amounts deposited with the New Jersey State Firemen's Association (NJSFA) to the General Fund as State revenue. The amount is included in estimated FY 2020 Insurance Premiums Tax collections of \$513.9 million.

Out-of-State insurance companies pay two percent tax on premiums for fire insurance policies written on New Jersey properties. The NJSFA receives annual collections from the tax and retains 52 percent thereof for burial benefits, the special relief fund, administrative costs, and other expenses. The NJSFA distributes the other 48 percent of annual tax collections to 538 local relief associations (LRAs). The LRAs may use the funds to pay relief benefits, convention expenses, and administrative expenses, such as salaries of the LRA officers and trustees. In 2016, the NJSFA received approximately \$32.0 million in tax revenue and distributed about \$16.0 million of those funds to the LRAs.

On December 19, 2018, the New Jersey Office of the State Comptroller (OSC) released an investigative report entitled, "Administration of Benefit Funds by the New Jersey State Firemen's Association." The OSC's investigation revealed an accumulation of about \$245.0 million in combined total assets by the NJSFA and LRAs. The report attributed this buildup of assets to statutes that date back to the 1880s, which have limited the use of funds to burial benefits and financial assistance for "needy" firefighters and their families.

EXPLANATION: FY 2019 language not recommended for FY 2020 denoted by strikethrough.
Recommended FY 2020 language that did not appear in FY 2019 denoted by underlining.