

**Summary: Executive Budget Recommendation
for Fiscal Year 2024-25
INSURANCE AND FINANCIAL SERVICES**



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	FY 2023-24 Enacted as of 2/7/24	FY 2024-25 Executive	Difference: FY 2024-25 vs. FY 2023-24	
			Amount	%
IDG/IDT	\$732,100	\$753,500	\$21,400	2.9
Federal	1,017,100	700,000	(317,100)	(31.2)
Local	0	0	0	--
Private	0	0	0	--
Restricted	72,398,700	76,317,900	3,919,200	5.4
GF/GP	0	0	0	--
Gross	\$74,147,900	\$77,771,400	\$3,623,500	4.9
FTEs	394.5	401.5	7.0	1.8

Note: Appropriation figures for FY 2024-25 include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Insurance and Financial Services (DIFS) is responsible for regulating and promoting the insurance and financial services industries operating within this state. The department also provides consumer protection by managing consumer information and inquiries and investigating consumer complaints. DIFS administers and enforces state statutes pertaining to state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; consumer finance entities; insurance companies, agents, and products; and health maintenance organizations.

Major Budget Changes from FY 2023-24 Enacted Appropriations

1. Staffing Increase

Includes \$1.3 million Gross (\$0 GF/GP) and authorization for 7.0 FTE positions to hire additional staff to address increased work volumes due to growth of the insurance sector. This increase would impact two line items and the additional staff that would be hired includes 2 analyst positions, 2 management positions, 1 licensing technician, 1 enforcement attorney, and 1 communications representative. The funding would support salaries and benefits associated with the FTE positions, as well as IT licenses that will be necessary for the new positions.

	FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
FTE	225.0	7.0
Gross	\$38,672,500	\$1,314,100
IDG/IDT	61,600	2,800
Federal	1,017,100	0
Restricted	37,593,800	1,311,300
GF/GP	\$0	\$0

2. Pharmacy Benefit Manager Licensure and Registration Act

Includes \$660,000 of state restricted funding authorization from the Insurance Bureau Fund to support regulatory activities related to pharmacy benefit managers, required under 2022 PA 11.

Gross	NA	\$660,000
Restricted	NA	660,000
GF/GP	NA	\$0

3. Insurance Complaints and Healthcare Appeals Outreach Campaign (One-Time)

Includes \$250,000 of state restricted funding authorization from Insurance Licensing and Regulation Fees to support an outreach campaign to raise awareness of consumer rights regarding filing insurance complaints and seeking appeals of health insurance denials. These rights are established under the Insurance Code of 1956 (1956 PA 218) and the Patient's Right to Independent Review Act (2000 PA 251). It is anticipated that funding would be used for media purchases (billboards, TV, radio, social media, etc.) and contracted production services.

Gross	\$0	\$250,000
Restricted	0	250,000
GF/GP	\$0	\$0

<u>Major Budget Changes from FY 2023-24 Enacted Appropriations</u>		<u>FY 2023-24 Enacted (as of 2/7/24)</u>	<u>Executive Change from Enacted</u>
4. Technical Adjustments	Gross	NA	\$0
Includes internal FTE adjustments, funding adjustments, and transfers throughout the budget, which have no overall impact on Gross, GF/GP, or FTE position authorization. Adjustments are made to reflect employee counts more accurately and to align funding authorization with revenue received and department operations and activities.	Federal	NA	(317,100)
	Restricted	NA	317,100
	GF/GP	NA	\$0
5. Economic Adjustments	Gross	NA	\$1,399,400
Reflects increased costs of \$1.4 million Gross (\$0 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2024), insurances, actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG/IDT	NA	18,600
	Restricted	NA	1,380,800
	GF/GP	NA	\$0

Major Boilerplate Changes from FY 2023-24

Sec. 207. Communication With the Legislature – DELETED

Prohibits DIFS from taking disciplinary action against employees for communicating with legislators or their staff, unless the communication is prohibited by law. *(Governor deemed this section unenforceable in FY 2023-24.)*

Sec. 211. Legislative Contingency Transfer Authorization – REVISED

Allows for the legislative transfer process to increase federal authorization by up to \$200,000 and state restricted authorization by up to \$1.0 million. Revises to increase maximum amounts of contingency authorizations to increase federal authorization by up to \$1.0 million and state restricted authorization by up to \$5.0 million.

Sec. 212. Transparency Website – DELETED

Requires DIFS to cooperate with DTMB to maintain a searchable website accessible by the public at no cost that includes information on expenditures, vendor payments, number of active employees, job specifications, and wage rates.

Sec. 213. State Restricted Funds Report – DELETED

Requires DIFS to work with SBO to report on estimated restricted fund revenues, expenditures, and balances for the prior two fiscal years.

Sec. 214. Department Website Information – DELETED

Requires DIFS to maintain, on a publicly accessible website, information that identifies, tracks, and regularly updates key metrics used to monitor and improve department performance.

Sec. 216. FTE Positions and Vacancies Reports – REVISED

Requires DIFS to submit quarterly reports containing FTE volumes and a comparison of actual and authorized FTE position counts. Revises to delete reporting on FTE volumes.

Sec. 217. Work Project Usage – DELETED

Stipulates that appropriations are not to be expended, if possible, until all existing work project authorization for the same purpose is exhausted. *(Governor deemed this section unenforceable in FY 2023-24.)*

Sec. 218. State Administrative Board Transfers – DELETED

Stipulates that the legislature may inter-transfer funds via concurrent resolution if the State Administrative Board transfers funds. *(Governor deemed this section unenforceable in FY 2023-24.)*

Sec. 219. Retention of Reports – DELETED

Requires DIFS to receive and retain copies of all reports funded by the department's budget, while complying with federal and state guidelines for records retention.

Sec. 220. Report on Policy Changes for Public Act Implementation – DELETED

Requires DIFS to report on policy changes made to implement public acts that took effect during the prior calendar year.

Sec. 221. Severance Pay Reporting – DELETED

Requires DIFS to report any severance pay for a director or other high-ranking official not later than 14 days after a severance agreement is signed; requires report on total amount of severance pay remitted and number of DIFS employees receiving severance pay in FY 2022-23.

Major Boilerplate Changes from FY 2023-24

Sec. 222. In-Person Work – DELETED

Expresses legislative intent that DIFS maximize the efficiency of the state workforce and prioritize in-person work where possible, and post its in-person, remote, or hybrid work policy on its website.

Sec. 225. Television and Radio Production Expenditure Report – DELETED

Requires DIFS to report any expenditure of funds to a third-party vendor for television or radio productions; delineates information to be included.

Sec. 301. Health Insurance Rate Change Report – DELETED

Requires DIFS to electronically transmit the annual health insurance rate change report prepared pursuant to 45 CFR 154.301(b).

Sec. 302. Conservatorship and Insurance Liquidation Funds – REVISED

Requires funds collected by DIFS in connection with a conservatorship pursuant to section 32 of 1987 PA 173 and from corporations being liquidated pursuant to 1956 PA 218 to be appropriated for expenses necessary to provide required services and to not lapse to General Fund; limits appropriations to \$1.0 million. Revises to remove the \$1.0 million cap.

Sec. 303. Fees for Customized Listings – REVISED

Permits DIFS to provide customized lists of non-confidential information to interested parties and to charge reasonable fees; requires funds to lapse to appropriate restricted fund accounts and limits amount appropriated to \$1.0 million. Revises to remove the \$1.0 million cap.

Sec. 304. Annual Reports Transmission – DELETED

Requires DIFS to electronically transmit the annual report required under the Insurance Code of 1956 and the Banking Code of 1999.

Sec. 305. Financial Institutions Marihuana Evaluation Guidance – DELETED

Requires DIFS to update examination manuals and letters of guidance for institutions providing financial services to businesses involved in the marihuana industry to reflect how those institutions will be evaluated.