Department of Business Regulation

FY 2013 Revised
FY 2014 Recommended
Staff Presentation
March 21, 2013
Structure

Divisions include:

- Central Management
- Banking Regulation
- Securities Regulation
- Board of Accountancy
- Insurance Regulation
- Office of the Health Insurance Commissioner
- Commercial Licensing, Racing, and Athletics
- Boards for Design Professionals
Target Issues

Department provided with General Revenue target of $9,176,052

- Constrained request $137,413 less than target
  - Department proposes elimination of Securities Division
    - Elimination of 9.0 full-time positions
    - Savings of $1,009,917 from general revenues
      - Costs for personnel and operations
      - Proposal noted that the savings would be offset by reduction of $18.4 million in revenue
  
- Proposed to meet FY 2012 target initiative
Governor rejects Department’s proposal
- Recommendation $269,826 above target

Changes to Enacted Budget:
- Decrease in federal funds
  - Expiration of Affordable Care Act / Health Benefits Exchange grants
- Increase in restricted receipts
  - Reflective of historical expenditures for reimbursable operations
# Summary by Source

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2013 Enacted</th>
<th>FY 2013 Revised</th>
<th>FY 2014 Governor</th>
<th>FY 2014 Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>$ 9,362,048</td>
<td>$ 9,200,512</td>
<td>$ 9,445,878</td>
<td>$ 83,830</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>2,719,081</td>
<td>3,433,208</td>
<td>1,747,589</td>
<td>(971,492)</td>
</tr>
<tr>
<td>Restricted Receipts</td>
<td>1,896,180</td>
<td>1,960,073</td>
<td>1,996,413</td>
<td>100,233</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,977,309</strong></td>
<td><strong>$14,593,793</strong></td>
<td><strong>$13,189,880</strong></td>
<td><strong>$ (787,429)</strong></td>
</tr>
</tbody>
</table>
## Summary by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2013 Enacted</th>
<th>FY 2013 Revised</th>
<th>FY 2014 Governor</th>
<th>FY 2014 Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$10,255,783</td>
<td>$10,081,118</td>
<td>$10,418,377</td>
<td>$162,594</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>2,701,770</td>
<td>3,471,559</td>
<td>1,998,135</td>
<td>(703,635)</td>
</tr>
<tr>
<td>Operations</td>
<td>661,128</td>
<td>681,288</td>
<td>679,630</td>
<td>18,502</td>
</tr>
<tr>
<td>Grants</td>
<td>344,890</td>
<td>344,890</td>
<td>80,000</td>
<td>(264,890)</td>
</tr>
<tr>
<td>Capital</td>
<td>13,738</td>
<td>14,938</td>
<td>13,738</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,977,309</strong></td>
<td><strong>$14,593,793</strong></td>
<td><strong>$13,189,880</strong></td>
<td><strong>$787,429</strong></td>
</tr>
</tbody>
</table>
Banking Regulation

- Required by statute to conduct annual examinations of banks and credit unions
- Monitors, regulates and examines 32 state-chartered financial institutions and credit unions and approximately 1,100 licensees
- $1.2 million recommended for FY 2014
  - $0.1 million more than enacted and FY 2013 revised
- 16.0 FTE positions recommended
  - 1.0 more than authorized
Securities Regulation

- Enforces compliance with state laws for the securities industry, franchises, charities, fundraisers and time-shares
- Licenses and regulates securities professionals
- $1.0 million recommended for FY 2014
  - $0.1 million less than enacted and FY 2013 revised
- 9.0 FTE positions recommended
  - 1.0 less than authorized
Commercial Licensing, Racing & Athletics

- Licenses and regulates real estate agents, brokers, appraisers, auto body shops, glass installers, upholsters and liquor wholesalers
- Licenses Twin River and Newport Grand employees and vendors
- $1.2 million recommended for FY 2014
  - Essentially consistent with enacted and FY 2013 revised
- 11.0 FTE positions recommended, same as FY 2013
Insurance Regulation

- Conducts financial examinations of domestic insurance companies
- Licenses companies, producers, adjusters and appraisers
- $5.3 million recommended for FY 2014
  - $0.1 million more than enacted and FY 2013 revised
- 37.0 full-time positions recommended for FY 2014
  - Consistent with authorized level
  - 38.0 full-time positions recommended for FY 2013
Office of the Health Insurance Commissioner

- Created by 2004 Assembly within Insurance Regulation
  - Established as a Departmental program in FY 2012
- Oversees the activities of health insurers
  - Guards solvency
  - Protects interest of consumers
  - Encourages fair treatment of health care providers
- $2.3 million recommended for FY 2014
  - $1.0 million less than enacted
- 9.0 FTEs recommended, same as FY 2013
Board of Accountancy

- Autonomous board responsible for administration of licensing
  - Certified public accountants
  - Public accountants
  - Accountancy partnerships and corporations

- $0.1 million recommended for FY 2014
  - Consistent with enacted

- 1.0 FTE recommended, same as FY 2013
Boards for Design Professionals

- Boards of Registration for professional engineers, professional land surveyors, landscape architects, and architects
- Examines and registers candidates, issues license renewals, proctors exams, and acts upon complaints
- $0.2 million recommended for FY 2014
  - Consistent with enacted
- 2.0 FTEs recommended, same as FY 2013
## Summary by Program

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY 2013 Enacted</th>
<th>FY 2013 Revised</th>
<th>FY 2014 Governor</th>
<th>FY 2014 Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Mgmt</td>
<td>$ 1.1</td>
<td>$ 1.1</td>
<td>$ 1.2</td>
<td>$ 0.1</td>
</tr>
<tr>
<td>Banking Reg.</td>
<td>1.8</td>
<td>1.9</td>
<td>1.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Securities Reg.</td>
<td>1.1</td>
<td>0.9</td>
<td>1.0</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Commercial Licensing</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>-</td>
</tr>
<tr>
<td>Insurance Reg.</td>
<td>5.2</td>
<td>5.2</td>
<td>5.3</td>
<td>0.1</td>
</tr>
<tr>
<td>OHIC</td>
<td>3.3</td>
<td>4.0</td>
<td>2.3</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Board of Accountancy</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Design Professionals</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 14.0</strong></td>
<td><strong>$ 14.6</strong></td>
<td><strong>$ 13.2</strong></td>
<td><strong>$ (0.8)</strong></td>
</tr>
</tbody>
</table>
## Personnel

<table>
<thead>
<tr>
<th>Full-Time Positions</th>
<th>FTEs</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enacted Authorized</td>
<td>94.0</td>
<td>-</td>
</tr>
<tr>
<td>FY 2013 Request</td>
<td>95.0</td>
<td>1.0</td>
</tr>
<tr>
<td>FY 2014 Request</td>
<td>94.0</td>
<td>-</td>
</tr>
<tr>
<td>FY 2014 Governor</td>
<td>94.0</td>
<td>-</td>
</tr>
<tr>
<td>FY 2012 Average Filled</td>
<td>81.3</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Filled as of March 9&lt;sup&gt;th&lt;/sup&gt;</td>
<td>85.0</td>
<td>(9.0)</td>
</tr>
</tbody>
</table>
FTEs by Program FY 2014

- Insurance Regulation: 39%
- Banking Regulation: 17%
- Securities Regulation: 10%
- Commercial Licensing: 12%
- OHIC: 10%
- Design Professionals: 2%
- Central Management: 9%
- Board of Accountancy: 1%
Personnel

- Includes requested personnel shifts between programs
  - Response to reported staffing needs
- Does not include requested upgrades for several staff
- Total of $10.0 million from all funds for FY 2013 revised
  - $174,665 less than enacted
- Total of $10.4 million from all funds for FY 2014
  - $162,594 more than enacted
- Increased turnover savings for both fiscal years
FY 2013 Revised:

- Adds Director of Consumer Protection position to Insurance Regulation Division
  - Unfunded for FY 2013 and eliminated for FY 2014
    - Requested from federal funds for Office of the Health Insurance Commissioner
    - Grant expired in September, 2012
Revenues

- Department generates revenues through:
  - Applications
  - Exams
  - License renewals
  - Late penalties
  - Miscellaneous fees

- Funds collected deposited as general revenues and restricted receipts
  - Restricted receipts reimburse department for regulation expenses (personnel and operations)
# Revenues by Program

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2013 Enacted</th>
<th>FY 2013 Revised</th>
<th>FY 2014 Governor</th>
<th>FY 2014 Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Mgmt.</td>
<td>$0.2</td>
<td>$0.3</td>
<td>$0.2</td>
<td>$-</td>
</tr>
<tr>
<td>Banking Reg.</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>-</td>
</tr>
<tr>
<td>Securities Reg.</td>
<td>17.8</td>
<td>18.3</td>
<td>18.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Commercial Licensing</td>
<td>2.4</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Insurance Reg.</td>
<td>10.3</td>
<td>10.8</td>
<td>11.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Board of Accountancy</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>Design Professionals</td>
<td>1.2</td>
<td>1.2</td>
<td>0.4</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33.5</strong></td>
<td><strong>$34.7</strong></td>
<td><strong>$34.3</strong></td>
<td><strong>$0.8</strong></td>
</tr>
</tbody>
</table>
Revenues and Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>$10.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$15.00</td>
<td>$12.00</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$20.00</td>
<td>$14.00</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$25.00</td>
<td>$16.00</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$30.00</td>
<td>$18.00</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$35.00</td>
<td>$20.00</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$40.00</td>
<td>$22.00</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$45.00</td>
<td>$24.00</td>
</tr>
</tbody>
</table>
Operations

FY 2013:
- Total of $4.5 million from all funds
  - $791,149 more than enacted
    - Increase in contracted management services associated with Affordable Care Act grants

FY 2014:
- Total of $2.8 million from all funds
  - $950,023 less than enacted
    - Affordable Care Act grant expiration
Rate Review: Develop policies and operations for premium and rate review of health insurance companies operating within RI’s borders

Benefits Exchange: Aid the establishment of the RI Health Benefits Exchange by January 1, 2014

Consumer Assistance Planning: Establish state insurance consumer assistance and data collection program
## Affordable Care Act Grant Adjustments

<table>
<thead>
<tr>
<th></th>
<th>FY 2013 Enacted</th>
<th>FY 2013 Revised</th>
<th>FY 2014 Governor</th>
<th>FY 2014 Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Review</td>
<td>$1,042,620</td>
<td>$1,227,503</td>
<td>$921,001</td>
<td>$(121,619)</td>
</tr>
<tr>
<td>Benefits Exchange</td>
<td>931,009</td>
<td>1,348,286</td>
<td>1,379</td>
<td>(929,630)</td>
</tr>
<tr>
<td>Consumer Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td>-</td>
<td>150,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,973,629</strong></td>
<td><strong>$2,725,789</strong></td>
<td><strong>$972,380</strong></td>
<td><strong>$(1,001,249)</strong></td>
</tr>
</tbody>
</table>
Other Operations by Division

- FY 2011 Reported
- FY 2012 Reported
- Enacted Budget
- FY 2013 Revised
- FY 2014

- Central Mgmt
- Banking
- Securities
- Comm. Lic.
- Insurance
- OHIC
- Accountancy
- Design
FY 2014 Other Operations by Source

- General Revenues: 19%
- Restricted Receipts: 81%
**Other Operations**

- Includes general office expenses
  - Office supplies
  - Printing costs
  - Professional subscriptions
  - Travel costs  
    - Essentially consistent with enacted budget

- Includes $1.0 million for Insurance Regulation

- Contracted Services
  - $30,500 more than enacted
  - Actuarial and financial services required for inspections