

State of Louisiana
04-165 LA Department of Insurance

Agency Response to Fiscal Year 2017-2018 Budget Request Hearings
Committee on Appropriations

- **During the 2016 sessions, what did the department testify would be the effects of the FY 17 budget on services, staffing and contracts?**

The LDI considered the FY 2016-2017 Appropriated Budget to be sustainable. Through an overall increase of \$1.2 million, the following areas were impacted:

\$525,000 - Related Benefits Adjustments for Retirement Base and Group Insurance Increases for active employees and retirees

\$430,288 - Restored Professional Services funding for IT Project (mid-year cut).¹

\$81,477 - Restored Acquisitions funding (mid-year cut).

\$199,181 - Interagency Transfers - Statewide adjustments to Risk Management, Building Maintenance, Office of Technology Services, Procurement Services, Administrative Law Judge

¹ IT Project includes necessary updates to the LDI's Taxes and Assessment Collection Program. \$773 million in Major State Revenue Collected (FY 2016-2017 Estimated)

- \$701 million - Premium Taxes
- \$67.3 million - Dedicated funds for Sheriff's Pension Fund; Municipal Police Retirement; and Municipal Fire & Police Civil Service
- \$4.6 million - Dedicated funds for Department of Public Safety; Department of Justice

- **Compared to FY 16, what reductions, including services, staffing and contracts, have been made to the department in FY 17?**

The LDI has continued to maintain current operating efficiencies based on the Fiscal Year 2015-2016 reductions through department-wide reorganization efforts to ensure adequate staffing is available to handle current call volume and workloads.

- **What reductions would the department make if there are mid-year reductions to the FY 17 budget?**

The LDI is not able to determine what reductions would be made until a specific dollar amount has been provided.

- **Provide a brief overview of the FY 18 budget request compared to FY 17 by budget unit. What increases are requested in FY 18 and why are the increases necessary, including any new or expanded programs or services to additional populations? Are there any reductions in the FY 18 budget requests, including those as a result of annualizing reductions made in FY 17?**

Net overall increase of \$257,144 or .82%. No new or expanded programs or services are being requested. Increases include:

- 4% performance adjustments and Career Progression Group adjustments for FY 2017-2018
- Base funding adjustments

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Replacement Acquisitions
 Legislative Auditor
 Louisiana Receivership Office Warehouse Lease
 Certification/Training, Professional Services and IT Funding for the newly created Office of Consumer Services for Market Conduct Examiners and Complaint Tracking Software

Decreases include:

Non-recurred Acquisitions
 Non-recurred Federal Funding for the Health Premium Rate Review Program due to expired federal grant *(Note: A means of financing switch is requested in the FY 2017-2018 Budget Request to pick up the ongoing costs for the program with self-generated funding.)*
 Attrition adjustments

- **Has the department added any positions, including classified, unclassified, and other charges positions, in FY 17? If so, how many and what positions? Did the department request additional positions in the FY 18 budget request? If so, how many and what positions?**

No.

- **Provide a summary of changes in salaries from FY 16 to FY 17, including performance adjustments, promotions, or any other changes in salaries. Provide a summary of requested changes in salaries from FY 17 to FY 18, including performance adjustments, promotions, or any other changes in salaries.**

	FY 15/16 Appropriated	FY 16/17 Appropriated	Difference	FY 17/18 Requested	Difference
Salaries	14,322,834	13,908,562	(414,272)	14,375,260	466,698

The LDI lost 30 employees during Fiscal Year 2015/2016 due to the mid-year budget reduction plans and implemented a department-wide reorganization in an effort to maintain current operating levels following the loss of 30 employees. Of the 30 employees lost, 18 retired through a retirement incentive offered by the LDI and an additional 12 employees resigned due to personal reasons and/or transferred to another agency or the private sector. The decrease shown above accurately represents this change in the LDI's overall salary base for Fiscal Year 2016-2017. The Fiscal Year 2017-2018 increase is the net change of continuation level adjustments requested in the Fiscal Year 2017-2018 Annual Budget Request inclusive of performance adjustments, career progression group increases, base funding and attrition adjustments.

- **What budget adjustments have been made since the initial appropriation to your department? How much in each means of finance has been appropriated to each agency since the initial appropriation?**

\$7,585 of federal budget authority was moved from Salaries to Professional Services to match projected expenditures for the State Health Insurance Information Program (SHIIP). This program is funded solely

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through a federal grant with the Department of Health and Human Services Administration for Community Living CIP-State Health Insurance Assistance Program.

There have been no increases/decreases to the LDI's budget since the initial appropriation.

▪ **Do your spending and staffing levels match the priorities of your department?**

Currently, spending and staffing levels are sufficient to support the priorities of the LDI in Fiscal Year 2016-2017; however, future staffing and spending levels are contingent upon the LDI being fully funded with the continuation level increases requested for Fiscal Year 2017-2018.

▪ **Provide the top 5 performance measures that give the outcomes in your department. How do you rank nationally based on these priority measures?**

Top 5 performance measures (in no particular order)

Percentage of NAIC accreditation retained	100%
Number of producer renewals, company appointments and adjuster renewals processed	638,500
Contract policy forms reviewed (all types)	32,572
Number of companies examined and/or analyzed (financial and market conduct)	298
Consumer complaints investigated/concluded	3,864

Note:

Total Revenue Collected by LDI (Including Major State Revenue)	\$816 million
Total Appropriated for Insurance Regulation	\$31,362,258
Percentage of Total Collections Appropriated for use	3.84%

▪ **Provide a list of all sources of revenue that are not appropriated. These funds could include restricted or off budget accounts. Also, please provide the amount anticipated to be used in FY 17, the amount in FY 18, and any balance or reserve amount for each source or revenue.**

See Attached.

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Revenue Source Listing

Revenue Source	Legal Citation	Fiscal Year 2016-2017			Fiscal Year 2017-2018		
		Total Collections	Appropriated	Not Appropriated	Total Collections	Appropriated	Not Appropriated
<u>Self-Generated:</u>							
Fees	LA R.S. 22	\$24,867,174	\$17,026,978	\$7,840,196 ¹	\$24,759,887	\$18,653,063	\$6,106,824 ¹
LA Insurance Rating Assessment	LA R.S. 22:1476; 22:1419	\$82,631,444	\$11,489,485	\$71,141,959 ²	\$79,128,183	\$10,424,072	\$68,704,111 ²
Insurance Premium Taxes	LA R.S. 22:794	\$701,733,183	\$90,000	\$701,643,183 ³	\$715,763,846	\$90,000	\$715,673,846 ³
<u>Statutory Dedicated Funds:</u>							
Health Insurance Portability & Accountability Act (HIPAA) Assessment-Administrative Fund	LA R.S. 22:1071	\$749,989	\$749,989	\$0	\$947,181	\$947,181	\$0
Insurance Fraud Assessment-Insurance Fraud Investigation Fund	LA R.S. 40:1428	\$5,203,930	\$506,008	\$4,697,922 ⁴	\$5,311,749	\$562,080	\$4,749,669 ⁴
LA Automobile Theft & Insurance Fraud Prevention Authority Fund (LATIFPA)	LA R.S. 22:2131- 22:2135	\$187,520	\$189,982	(\$2,462)	\$187,511	\$227,000	(\$39,489)
<u>Federal Funds:</u>							
State Health Insurance Assistance Program	CFDA No. 93.324	\$686,550	\$716,006	(\$29,456)	\$692,306	\$716,006	(\$23,700)
Health Insurance Premium Rate Review	CFDA No. 93.511	\$107,326	\$593,810	(\$486,484)	\$0	\$0	\$0
<u>Miscellaneous:</u>							
INA-Miscellaneous Receipts		\$350,000	\$0	\$350,000 ⁵	\$350,000	\$0	\$350,000 ⁵
INA-LDI Accounts Receivable-Prior Year		\$20,000	\$0	\$20,000	\$20,000	\$0	\$20,000
Totals		\$816,537,116	\$31,362,258	\$785,174,858	\$827,160,663	\$31,619,402	\$795,541,261
Percentage of total collections appropriated for insurance regulation			3.84%	3.82%			

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Revenue Source Listing

¹ Self-generated Fees-a portion of the funds collected in excess of appropriated amounts is generally recognized by the REC. Additionally, any unexpended funds within appropriated amounts will automatically revert to the state general fund at the end of the fiscal year.

² In accordance with LA R.S. 22:1476, the "Not Appropriated" funds generated through the LA Insurance Rating Assessment are collected by the Commissioner of Insurance and deposited with the State Treasurer for use by the Municipal Fire and Police Civil Service and on behalf of the Municipal Police Employees' Retirement System, the Sheriff's Pension and Relief Fund and the Firefighters' Retirement System for the exclusive use of these retirement systems. The LDI is not aware of the appropriated amounts for these entities.

³ Insurance Premium Taxes - The "Not Appropriated" funds generated through the Insurance Premium Taxes are collected by the Commissioner of Insurance and distributed in accordance with Title 22 as follows: Approximately 53% to the General Fund; approximately 39% to the Medicaid-Enrolled Managed Care Organization; approximately 6% combined to the Fireman Training, Fire Marshal, and Fire Department funds; and 2.22% to the State Police Salary Fund as \$15.6 million in dedicated funding.

⁴ In accordance with LA R.S. 40:1428, the "Not Appropriated" funds generated through the LA Insurance Fraud Assessment are collected by the Commissioner of Insurance and transferred to the Insurance Fraud Investigation Fund in the state treasury where they are solely dedicated to the Insurance Fraud Investigation Unit within the Office of State Police and to the Insurance Fraud Support Unit within the Department of Justice. The LDI is not aware of the appropriated amounts for these entities.

⁵ "Income Not Available" represents funds due the LDI for which the LDI has not been appropriated. Usually includes monies due the LDI in prior fiscal years. All of these funds revert directly to the State General fund.