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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON INSURANCE AND FINANCIAL SERVICES
 MEMORANDUM

To: Senator Margaret Rotundo, Senate Chair
 Representative Jeremy Fischer, House Chair
 Joint Standing Committee on Insurance and Financial Services

From: Senator Nancy B. Sullivan, Senate Chair
 Representative John R. Brautigam, House Chair
 Joint Standing Committee on Insurance and Financial Services

Date: February 15, 2008

Subject: Insurance and Financial Services Committee Recommendations on the
 Governor's 2008-2009 Supplemental Budget Bill (LD 2173) and Other Matters

We are writing to provide our comments related to several items on which the Appropriations Committee has asked for input, particularly LD 2173, the Governor's 2008-2009 Supplemental Budget bill. We have reviewed all of these items and considered them carefully within the context of our policy matter expertise and jurisdiction and hope that you give significant weight to our recommendations.

LD 2173 Provisions within Committee's Jurisdiction

Part T of LD 2173, as originally drafted, proposes the reorganization of the Department of Professional and Financial Regulation. Part T (see also Sec. A-32) proposes to eliminate the headcount associated with the Commissioner position and make statutory changes to require the Governor to appoint one of 4 positions within the Department of Professional and Financial Regulation to serve as Commissioner in addition to their other statutory duties: the Superintendent of Financial Institutions, the Superintendent of Consumer Credit Protection, the Superintendent of Insurance and the Director of the Office of Licensing and Registration. Part T also proposes to eliminate the Securities Administrator position and designate the Superintendent of Financial Institutions as the Securities Administrator.

These statutory changes would achieve a total of \$231,923 in savings for salary and related costs to Other Special Revenue as follows:

- \$110,060 from elimination of headcount, salary and related costs associated with Commissioner position; and
- \$121,863 from elimination of headcount, salary and related costs associated with Securities Administrator position.

At the joint public hearing on Part T, an alternative proposal to the elimination of the Securities Administrator position was presented in written and oral testimony by 3 individuals who served as Securities Administrator and 1 individual currently serving as acting Securities Administrator. Under this alternative, one of the 2 Assistant Securities Administrator positions would be eliminated. The budgeted savings from eliminating this position is \$102,807. The difference between this alternative and Part T as originally proposed is \$19,056. In our work sessions on Part T, Acting Commissioner LaFountain has reported to us that the Administration has agreed to this alternative proposal.

With the alternative proposal, the total savings to Other Special Revenue is \$212,867 in savings for salary and related costs as follows:

- \$110,060 from elimination of headcount, salary and related costs associated with Commissioner position; and
- \$102,807 from elimination of headcount, salary and related costs associated with one Assistant Securities Administrator position.

The committee held 2 work sessions to discuss the budget proposal. The committee unanimously supports the statutory change in the process for appointment of the Commissioner and the elimination of the headcount, salary and related costs associated with the Commissioner in section A-32. With regard to the changes to the Office of Securities, eleven members support the alternative proposal agreed to by Acting Commissioner LaFountain to eliminate one Assistant Securities Administrator position instead of the Securities Administrator position. One member of the committee disagreed and would support the elimination of the Securities Administrator position (currently vacant) as originally proposed in LD 2173. A proposed amendment to Part T and Sec. A-32 that reflects the committee's recommendation is attached.

Review of Additional Reduction to General Fund Programs

As requested by the Appropriations Committee, the committee has reviewed the February 5, 2008 memorandum asking for proposals to make additional reductions to General Fund programs. We have been asked to consider one program--- the Firefighters and Law Enforcement Health Insurance program within the Department of Administrative and Financial Services. Pursuant to Title 5, section 285, subsection 11-A and section 286-M, retired firefighters and law enforcement personnel are eligible to receive health insurance coverage through the State Employee Health Insurance program. Based on the calculations in the February 5, 2008 memorandum, the reduction to this program is estimated to be \$29,607.

The committee has briefly discussed the proposed reduction. We have not been made aware of any objections to the proposed reduction although we have not had the benefit of a public hearing. We heard informally from Frank Johnson and certain stakeholders that this reduction can be absorbed without any affect on current retired firefighters and law enforcement personnel enrolled in the program. Because we have no further information, we take no specific position on the reduction at this time.

Senator Nutting's Suggested Proposal to Eliminate Positions within the Department of Professional and Financial Regulation

The committee has also reviewed the materials forwarded by the Appropriations Committee related to positions within the Department of Professional and Financial Regulation suggested for elimination by Senator Nutting to achieve additional savings and efficiencies in State

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Government. The suggested list presented to the Appropriations Committee includes 2 positions within the Department of Professional and Financial Regulation: one Assistant to the Commissioner position and one Deputy Superintendent of Financial Institutions position.

At this time, the committee makes no recommendation with regard to the 2 positions suggested for elimination by Sen. Nutting. However, the committee would like to note that our recommendations on LD 2173, if accepted, would achieve the same result by eliminating 2 positions within the Department of Professional and Financial Regulation.

As noted above, our committee hopes that the input we have provided on the budget proposals within our jurisdiction is considered in your committee deliberations. We ask that you notify us when you have your own work sessions and discussions of these proposals, especially if any additional changes to the budgets of the entities within our policy jurisdiction are considered. Please contact us if you have any questions or would like additional information.

Thank you for the opportunity to comment on the budget items within our jurisdiction.

Enclosure: Proposed Amendment to LD 2173

cc: Members, Joint Standing Committee on Insurance and Financial Services

Proposed IFS Committee Changes to LD 2173

Amend LD 2173 in Part A in Sec. A-32 by striking out all of Sec. A-32 and inserting in its place the following:

Sec. A-32. Appropriations and allocations. The following appropriations and allocations are made.

PROFESSIONAL AND FINANCIAL REGULATION, DEPARTMENT OF

Administrative Services - Professional and Financial Regulation 0094

Initiative: Eliminates the headcount, salary and related costs associated with the Commissioner Department of Professional and Financial Regulation position in the Administrative Services Division.

| OTHER SPECIAL REVENUE FUNDS | 2007-08 | 2008-09 |
|-----------------------------------|---------|-------------|
| POSITIONS - LEGISLATIVE COUNT | 0.000 | (1.000) |
| Personal Services | \$0 | (\$109,168) |
| All Other | \$0 | (\$892) |
| | ----- | ----- |
| OTHER SPECIAL REVENUE FUNDS TOTAL | \$0 | (\$110,060) |

Office of Securities 0943

Initiative: Eliminates the headcount, salary and related costs associated with an Assistant Securities Administrator, Public Services Manager II position (Position Number 060200534) within the Office of Securities.

| OTHER SPECIAL REVENUE FUNDS | 2007-08 | 2008-09 |
|-----------------------------------|---------|-------------|
| POSITIONS - LEGISLATIVE COUNT | 0.000 | (1.000) |
| Personal Services | \$0 | (\$100,815) |
| All Other | \$0 | (\$1,992) |
| | ----- | ----- |
| OTHER SPECIAL REVENUE FUNDS TOTAL | \$0 | (\$102,807) |

PROFESSIONAL AND FINANCIAL REGULATION, DEPARTMENT OF

| DEPARTMENT TOTALS | 2007-08 | 2008-09 |
|------------------------------|---------|-------------|
| OTHER SPECIAL REVENUE FUNDS | \$0 | (\$212,867) |
| | ----- | ----- |
| DEPARTMENT TOTAL - ALL FUNDS | \$0 | (\$212,867) |

Proposed IFS Committee Changes to LD 2173

Further amend LD 2173 in Part T by striking out all of Part T and inserting in its place the following:

PART T

Sec. T-1. 10 MRSA §8002, first ¶, as amended by PL 1999, c. 687, Pt. C, §2, is further amended to read:

The Commissioner of Professional and Financial Regulation, referred to in this chapter as the "commissioner," is the chief administrative officer of the department and is responsible for supervising the administration of the department. The commissioner is appointed by the Governor, subject to review by the joint standing committee of the Legislature having jurisdiction over banking and insurance matters, and to confirmation by the Legislature. In making the appointment under this paragraph, the Governor shall appoint one of the following officials as commissioner, who shall also continue to act as a superintendent or director, as the case may be: the Superintendent of Financial Institutions, the Superintendent of Consumer Credit Protection, the Superintendent of Insurance or the Director of the Office of Licensing and Registration. The commissioner serves at the pleasure of the Governor. Unless otherwise provided in law, the commissioner may not exercise or interfere with the exercise of discretionary regulatory authority granted by statute to the bureaus, offices, boards or commissions within and affiliated with the department. As chief administrative officer of the department, the commissioner has the following duties and authority to:

Summary

This amendment replaces Sec. A-32 in the bill. The amendment retains the initiative from the bill to eliminate the headcount, salary and related costs associated with the position of Commissioner in the Department of Professional and Financial Regulation. The amendment makes changes to the bill with regard to the Office of Securities and includes an initiative to eliminate the position of one Assistant Securities Administrator position rather than the position of Securities Administrator as proposed in the bill.

The amendment also removes the statutory language in Part T that eliminated the position of Securities Administrator and designated the Superintendent of Financial Institutions as the Administrator of the Office of Securities within the Department of Professional and Financial Regulation. The amendment retains the provision from the bill reorganizing the Commissioner position.