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STATE OF MAINE

ONE HUNDRED AND TWENTIETH-FOURTH LEGISLATURE

COMMITTEE ON INSURANCE AND FINANCIAL SERVICES

To: Bill Diamond, Senate Chair
Emily Ann Cain, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

From: Peter B. Bowman, Senate Chair
Sharon Anglin Treat, House Chair
Joint Standing Committee on Insurance and Financial Services

Date: January 27, 2010

Subject: Insurance and Financial Services Committee Recommendations on the Governor's 2010-2011 Supplemental Budget Bill (LD 1671)

We are writing to provide our unanimous recommendations on those relevant portions of the Governor's 2010-2011 Supplemental Biennial Budget Bill (LD 1671) within the jurisdiction of the Insurance and Financial Services Committee. The committee voted 13-0 on the following recommendations which are also reflected on the attached worksheet.

1. The committee supports the Accident-Sickness-Health Insurance initiative to freeze one vacant part-time Accountant I position until January 1, 2011 as proposed in Sec. A-1 (page IFS-1).
2. The committee supports the Dirigo Health Fund initiative to allocate federal grant funding to expand health insurance coverage for certain uninsured, low-income, seasonal and part-time workers as proposed in Sec. A-14 (page IFS-2). While the committee supports the allocation of the grant funding, we have requested a detailed briefing in mid-February from the Governor's Office of Health Policy and Finance on plans for implementation of the program. In particular, the committee wants to ensure that the design of the program is consistent with the committee's priorities for increasing access to health insurance for direct care workers.
3. The committee supports the initiatives for the Bureau of Consumer Credit Protection within the Department of Professional and Financial Regulation in Sec. A-45 (pages IFS- 3 to IFS-4) as **amended**. The committee recommends that the initiative be amended to "freeze" the Principal Consumer Credit Examiner position and the Office Specialist II position to preserve these two positions for future use by the Bureau of Consumer Credit Protection; as drafted, LD 1671 proposes to eliminate these positions. The amendment recommended by the committee provides the Bureau of Consumer Credit Protection the

flexibility to fill these positions in fiscal year 2012 if they are needed, but does not affect the amount of savings in the operating expenses of the Bureau by keeping the positions vacant through the end of fiscal year 2011.

The committee recommends this change because the need for the Principal Consumer Credit Examiner position should be reestablished if the current downturn in the mortgage and housing market is reversed beginning in mid-2011. This position is responsible for the licensing and examination of mortgage companies and their individual loan officers. The committee believes it is important to provide the Bureau of Consumer Credit Protection the flexibility to fill this position if necessary as new applications are received from mortgage companies that may have let their licenses expire during the economic downturn in the market.

The committee also believes the Bureau of Consumer Credit Protection should have the flexibility to fill the vacant Office Specialist II position in Fiscal Year 2012 if the need for the position is demonstrated. At present, this position (although vacant) is assigned to support the Bureau's statewide outreach program for foreclosure prevention. Since the program began in June 2009 after the enactment of Public Law 2009, chapter 402, the Bureau of Consumer Credit Protection has devoted extensive staff resources and time to assist consumers. To date, the Bureau has mailed information packets to more than 10,000 consumers receiving a notice to cure default on their home mortgage; received more than 700 calls to its Foreclosure Prevention Hotline; provided monetary support for housing counselors at the Maine State Housing Authority and six nonprofit community agencies; and directly assisted in the delay or cancellation of more than 20 foreclosure auctions and the modification of 30 mortgage loans. Although existing Bureau staff currently support the program, the committee feels that additional support may be needed in the future as the foreclosure prevention program continues.

4. The committee supports the reclassifications of positions as proposed in Sec. B-1 (page IFS-5).

5. The committee supports the transfer of unexpended funds from Other Special Revenue Accounts in the Bureau of Insurance and the Office of Securities to the General Fund unappropriated surplus as proposed in Part L, sections L-1 to L-3 (page IFS-6). In discussions with the committee, Commissioner Head described the process used by the agencies within the Department of Professional and Financial Regulation to identify the proposed transfers of Other Special Revenue from the Bureau of Insurance and the Office of Securities to the General Fund. The Bureau of Insurance was able to identify its one-time transfer of \$3.6 million through cost savings initiatives for unfilled vacancies, shut down days, reduced travel expenses and the elimination of leased space in Portland and the recognition of a significant increase in the number of producers licensed in the State. With respect to the Office of Securities, its transfer of \$1.6 million is the result of an increase in the number of license renewals for sales representatives and static operating expenses of the office.

The committee is in agreement that all of the agencies in the Department have identified appropriate cost efficiencies for its ongoing operations. The committee believes the reduction in funding at the level proposed in LD 1671 can be achieved without affecting the operations of the Bureau of Insurance or Office of Securities. Although the committee supports the one-time transfers proposed in LD 1671, the committee would not support additional reductions in revenue allocated to the Bureau of Insurance or Office of Securities or the transfer of dedicated revenue from the Bureau of Consumer Credit Protection or the Bureau of Financial Institutions because it would have an adverse impact on the operations and core regulatory functions of the Department. In addition, the committee wants to ensure that the Department's dedicated revenues are used for their intended purposes as it is those individuals and businesses that are regulated by the Department that pay to support the Department's operations.

6. The committee supports the proposal in Part O to expedite repayment by the Finance Authority of Maine of the deposits made by the Bureau of Consumer Credit Protection to the Payroll Processor Recovery Fund. (page IFS -7).

Thank you for your consideration of our comments.

Enclosure: Attachments

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

Sec. A-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Accident - Sickness - Health Insurance 0455

Initiative: Reduces funding by freezing one vacant part-time Accountant I position until January 1, 2011.

Ref. #: 40

Committee Vote: IN 13-0

AFA Vote: _____

GENERAL FUND	2008-09	2009-10	2010-11
Personal Services	\$0	(\$13,139)	(\$14,350)
All Other	\$0	(\$2,900)	(\$2,900)
GENERAL FUND TOTAL	\$0	(\$16,039)	(\$17,250)

Justification:

This position was established in Public Law 2009, chapter 213 to support the administration of the health credit premium program. Work related to this program will be absorbed within existing resources until this position can be established in January 2011.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2008-09	2009-10	2010-11
GENERAL FUND	\$0	(\$16,039)	(\$17,250)
DEPARTMENT TOTAL - ALL FUNDS	\$0	(\$16,039)	(\$17,250)

Sec. A-14. Appropriations and allocations.

The following appropriations and allocations are made.

DIRIGO HEALTH

Dirigo Health Fund 0988

Initiative: Provides funding to expand health insurance coverage for certain uninsured, low-income, seasonal and part-time workers.

Ref. #: 330

Committee Vote: In 13-0 AFA Vote: _____

FEDERAL EXPENDITURES FUND	2008-09	2009-10	2010-11
All Other	\$0	\$0	\$8,025,915
FEDERAL EXPENDITURES FUND TOTAL	\$0	\$0	\$8,025,915

Justification:

The Governor's Office of Health Policy and Finance received a State Health Access Program grant award in the amount of \$8,500,000. Grant funds will be used to administer a voucher program through the Dirigo Health Agency that enables uninsured, low income, part-time/seasonal workers with incomes below 300% of the federal poverty level to purchase employer sponsored insurance that meets a test of credible coverage. Funds will be used to develop a new product designed to provide an option when employer insurance is unavailable for these workers.

DIRIGO HEALTH

DEPARTMENT TOTALS	2008-09	2009-10	2010-11
FEDERAL EXPENDITURES FUND	\$0	\$0	\$8,025,915
DEPARTMENT TOTAL - ALL FUNDS	\$0	\$0	\$8,025,915

Sec. A-45. Appropriations and allocations. The following appropriations and allocations are made.

PROFESSIONAL AND FINANCIAL REGULATION, DEPARTMENT OF

Bureau of Consumer Credit Protection 0091

Initiative: Reallocates 15% of the cost of one Superintendent Consumer Credit Protection position, 25% of the cost of one Consumer Credit Examiner-in-charge position and 50% of the cost of one Staff Attorney position from the Bureau of Consumer Credit Protection program to statewide outreach and transfers one Chief Field Investigator position and one Office Associate II position from the Bureau of Consumer Protection program to statewide outreach within the Bureau of Consumer Credit Protection program to accurately reflect work by account. ~~Eliminates one Principal Consumer Credit Examiner position in the Bureau of Consumer Credit Protection program and eliminates one Office Specialist II position in statewide outreach to maintain funding within available resources.~~ *Freezes*

Ref. #: 1173

Committee Vote: Amend 13-0 AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2008-09	2009-10	2010-11
POSITIONS - LEGISLATIVE COUNT	0.000	(1.000)	(2.000)
Personal Services	\$0	(\$89,166)	(\$159,918)
All Other	\$0	(\$897)	(\$1,608)
OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	(\$90,063)	(\$161,526)

Justification: *Freezes*
This reallocates a portion of the costs of 3 positions and transfers 2 positions from the Office of Consumer Credit Protection account to the Statewide Outreach account, the foreclosure prevention fund, within the Bureau of Consumer Credit Protection program in direct proportion to the amount of time each employee is engaged in direct activities for the fund's mission. This also ~~eliminates 2 positions in order to maintain funding within available resources.~~ The bureau administers the foreclosure prevention fund in compliance with Public Law 2009, chapter 402 that involves developing consumer information, contracting with outside non-profits and housing counselors, negotiating with lenders on behalf of consumers and developing sample pleadings for consumers' use. Those activities have been performed primarily by existing bureau staff. This change will permit continued direct oversight of the fund by the bureau's staff, and will permit continued investigative and legal input into the process of obtaining loan modifications for consumers.

Bureau of Consumer Credit Protection 0091

Initiative: Reduces funding in the Bureau of Consumer Credit Protection program to reflect revenue projections based on new economic information.

Ref. #: 1176

Committee Vote: In 13-0 AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2008-09	2009-10	2010-11
All Other	\$0	(\$100,838)	(\$105,459)
OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	(\$100,838)	(\$105,459)

Justification:
A change in expected revenues requires a reduction to current expenditures to maintain funding within available resources.

Bureau of Consumer Credit Protection 0091

Initiative: Provides funding for contracting with housing counselors to help implement the Bureau of Consumer Credit Protection's statewide mortgage foreclosure prevention outreach.

Ref. #: 1178

Committee Vote: In 13-0

AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2008-09	2009-10	2010-11
All Other	\$0	\$0	\$101,005
OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	\$0	\$101,005

Justification:

This increases the allocation available for grants to housing/foreclosure prevention counselors in fiscal year 2010-11. The Bureau of Consumer Credit Protection is working with the Maine State Housing Authority, as well as with private non-profit agencies, to deploy housing/foreclosure prevention counselors to provide direct assistance to Maine homeowners. The following 3 challenges are being addressed: a) locating and training skilled counselors; b) improving and enhancing the proficiency levels of existing counselors, such as training those counselors currently performing so-called "level one" (counseling consumers) services, to be able to perform "level 2" and "level 3" (direct negotiation with mortgage lenders, servicers and foreclosing attorneys) services. By fiscal year 2010-11 the bureau expects additional and training-enhanced counselors to be prepared to receive, and efficiently utilize, this increased allocation.

PROFESSIONAL AND FINANCIAL REGULATION, DEPARTMENT OF

DEPARTMENT TOTALS	2008-09	2009-10	2010-11
OTHER SPECIAL REVENUE FUNDS	\$0	(\$190,901)	(\$165,980)
DEPARTMENT TOTAL - ALL FUNDS	\$0	(\$190,901)	(\$165,980)

Sec. B-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Accident - Sickness - Health Insurance 0455

Initiative: RECLASSIFICATIONS

Ref. #: 41

Committee Vote:

1A 13-0

AFA Vote: _____

	2008-09	2009-10	2010-11
ACCIDENT, SICKNESS AND HEALTH INSURANCE INTERNAL SERVICE FUND			
Personal Services	\$0	\$40,341	\$18,260
All Other	\$0	(\$40,341)	(\$18,260)
ACCIDENT, SICKNESS AND HEALTH INSURANCE INTERNAL SERVICE FUND TOTAL	\$0	\$0	\$0

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2008-09	2009-10	2010-11
ACCIDENT, SICKNESS AND HEALTH INSURANCE INTERNAL SERVICE FUND	\$0	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	\$0	\$0	\$0

1 Be it enacted by the People of the State of Maine as follows:

2 **PART L**

3 **Sec. L-1. Transfer; unexpended funds; Bureau of Insurance account.**
4 Notwithstanding any other provision of law, the State Controller shall transfer \$3,500,191
5 in unexpended funds from the Bureau of Insurance, Other Special Revenue Funds
6 account in the Department of Professional and Financial Regulation to the unappropriated
7 surplus of the General Fund no later than June 30, 2010.

8 **Sec. L-2. Transfer; unexpended funds; Insurance Assessment Fund**
9 **account.** Notwithstanding any other provision of law, the State Controller shall transfer
10 \$75,107 in unexpended funds from the Insurance Assessment Fund, Other Special
11 Revenue Funds account in the Department of Professional and Financial Regulation to
12 the unappropriated surplus of the General Fund no later than June 30, 2010.

13 **Sec. L-3. Transfer; unexpended funds; Office of Securities account.**
14 Notwithstanding any other provision of law, the State Controller shall transfer \$1,600,000
15 in unexpended funds from the Office of Securities, Other Special Revenue Funds account
16 in the Department of Professional and Financial Regulation to the unappropriated surplus
17 of the General Fund no later than June 30, 2010.

18

Fiscal Note

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Transfers				
General Fund	\$5,175,298	\$0	\$0	\$0
Other Special Revenue	-\$5,175,298	\$0	\$0	\$0

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20 **SUMMARY**

21 **PART L**

22 This Part transfers certain unexpended funds within various Other Special Revenue
23 Funds accounts of the Department of Professional and Financial Regulation to General
24 Fund unappropriated surplus at the end of fiscal year 2009-10.

Committee Vote: In 13-0

1 Be it enacted by the People of the State of Maine as follows:

2 **PART O**

3 **Sec. O-1. Deposit reimbursement.** Notwithstanding the Maine Revised
4 Statutes, Title 10, section 1495-E, subsection 2-A, if a balance of the Superintendent of
5 Consumer Credit Protection within the Department of Professional and Financial
6 Regulation's initial deposit into the Payroll Processor Recovery Fund remains
7 unreimbursed on May 1, 2010, the superintendent must be reimbursed the initial deposit
8 into the fund in 2 disbursements, with 1/2 of the unreimbursed balance repaid on or
9 before June 1, 2010 and the remaining unreimbursed balance repaid on or before June 1,
10 2011.

11 **SUMMARY**

12 **PART O**

13 This Part provides for the expedited repayment to the Superintendent of Consumer
14 Credit Protection within the Department of Professional and Financial Regulation of the
15 unpaid balance of the initial deposit made to the Payroll Processor Recovery Fund, which
16 is maintained by the Finance Authority of Maine.

Committee Vote: 13-0 IN